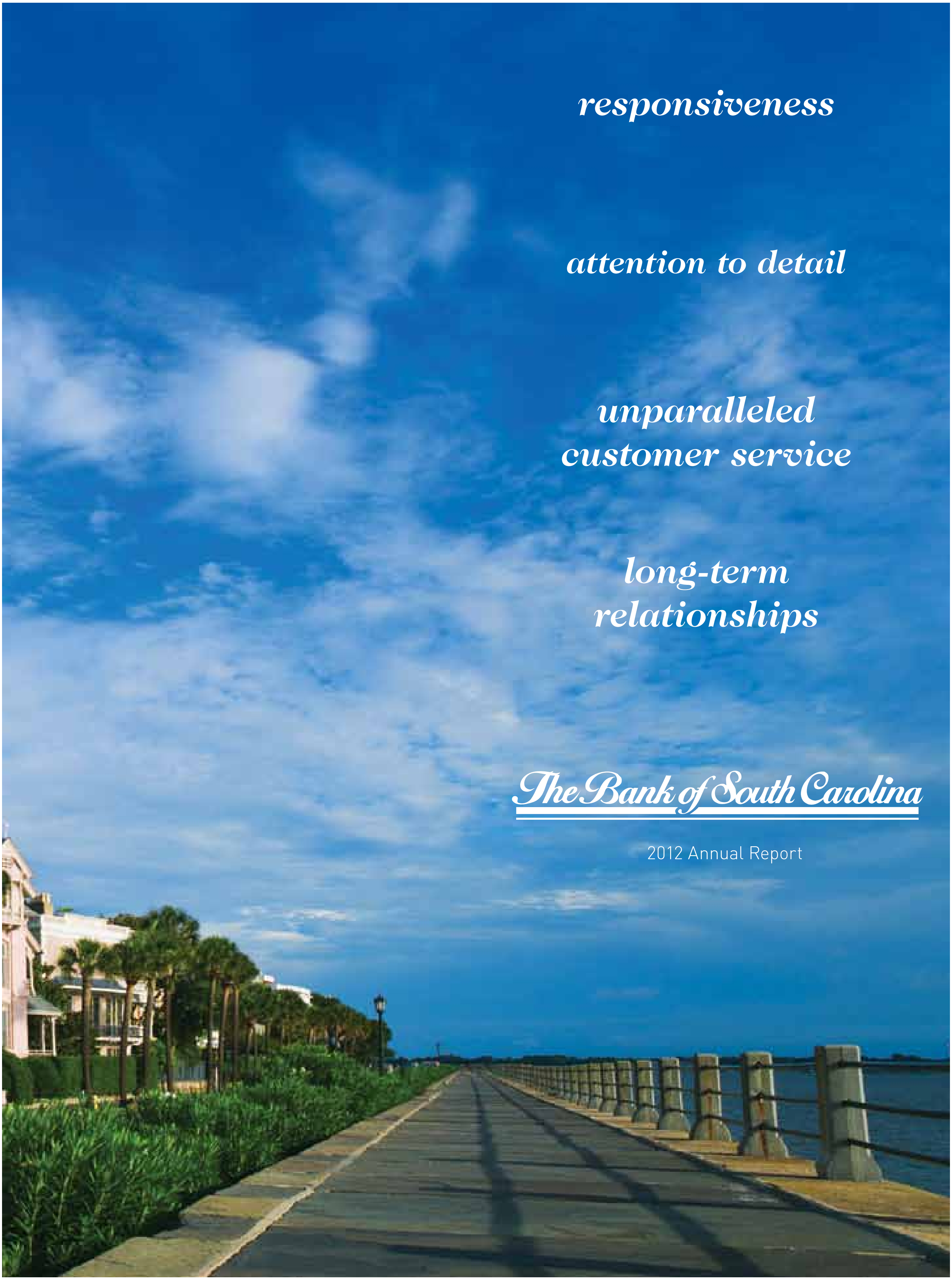

responsiveness

attention to detail

unparalleled customer service

long-term relationships

The Bank of South Carolina

2012 Annual Report

responsiveness

The Bank of South Carolina is unlike any other in its responsiveness to its customers. Our receptionist, Ruth Green, has been answering our phones and helping customers since 2001. When a customer calls, it is her voice they hear, not a pre-recorded voice on an automated phone system. This kind of responsiveness allows us to excel in our market place.

attention to detail

I have been a customer of this bank since it started approximately 26 years ago. Fleetwood and Hugh have known four generations of my family and every time I come into the Bank of South Carolina, I am met with a smile and customer service of the highest level. The attention to detail that goes into every transaction is remarkable. Heather and the rest of the Meeting Street team do a wonderful job and I am proud to call them my bankers.

—Louis Kirshtein

unparalleled customer service

Helene Medley of Charleston Surgery Center has worked with Helene Mixon, a Senior Vice President with the Bank for several years. Ms. Medley refers doctors to Ms. Mixon for their banking needs because Ms. Mixon is willing to jump in the car and drive to either Ms. Medley's office or to the doctor's office to assist them—early in the morning or late at night, whatever suits their schedule. This is the type of service that sets us apart from our competitors.

long-term relationships

Our hallmarks of unparalleled customer service, responsiveness, and attention to detail lead often to generational relationships with both families and businesses. To do so is a real honor and remarkable privilege for us at The Bank of South Carolina. We are proud to have as customers multiple generations of the Hay Family—Lowcountry leaders in business and community philanthropy.

Dear Stockholders, Customers, Employees and Friends,

Tuesday April 10th, 2012 was not only The Bank of South Carolina's annual meeting at the Confederate Home, but also one of the galvanizing moments in your bank's 26-year history. Hugh C. Lane, Jr. announced the beginning of his retirement and introduced the newly appointed management team of Fleetwood S. Hassell, President and Chief Executive Officer; Sheryl G. Sharry, Executive Vice President and Chief Financial Officer; and Douglas H. Sass, Executive Vice President and Senior Lender. This new team has in excess of 100 years of banking experience.

We were quite pleased with 2012 earnings of $3,666,828 or 82 cents per share, an increase of 14.97% over earnings for the twelve months ended December 31, 2011 of $3,189,318, or 72 cents per share. Earnings for the quarter ended December 31, 2012 increased $157,221 or 18.83% to $992,173 compared to $834,952 for the quarter ending December 31, 2011. Average total loan growth for 2012 was 3.7%, primarily as a result of a sharp increase in mortgage loans to be sold. Mortgage banking income increased 104.22% from $674,705 to $1,377,888 for the year 2012 as compared to 2011. This contribution was the driving force for our success for the year. 2012 returns on average equity at 10.97% and on average assets of 1.16% continue to remain strong and compare favorably to 2011 returns of 10.48% and 1.03%, respectively. An efficiency ratio of 60 represents excellent management of the bank's non-interest expenses.

During 2012, we were pleased to be recognized, again, by Financial Management Consulting Group as the top rated South Carolina bank in overall performance. In addition, for the 66th consecutive quarter, your bank was awarded a 5-star rating by Bauer Financial—a distinction that fewer than 10% of the nation's banks can claim. In the fourth quarter, we increased the bank's quarterly cash dividend to 12 cents per share.

The challenges of 2013 are many. The ongoing low interest rate environment will continue to pressure net interest margins and place further emphasis on non-interest income sources. Despite a slowly improving economy and the surge in mortgage banking activity, loan demand remains relatively flat. In keeping with our founding principles, we will avoid the industry rush to succumb to the temptation of the three "L's" we are already seeing on the banking horizon: lower rates, longer terms, and looser credit quality standards.

We monitor closely the continuing regulatory burden as the cost of compliance remains high. We place great emphasis on staying ahead of this curve. Unfortunately, the "unintended" consequences of recent legislation seem to lurk around every corner of the regulatory world, resulting in considerable expense. We strongly encourage our state and federal regulators to consider this as future changes are considered.

The banking industry is slowly recuperating; however, what form the financial institution of the future takes is largely unknown. Regardless, we at The Bank of South Carolina want to assure our shareholders that we will not deviate from the fundamentals that have made us the #1 bank in South Carolina and allowed us to flourish when others have not. Our business model of asset quality, low cost funding sources, and efficient operations will continue to serve us—and you—well. We are committed to remaining independent, to growing the share of the market we're in, and to being the "bank of choice" in the South Carolina Lowcountry.

On a personal note, we were deeply saddened by the passing of our friend and colleague, Janice M. Flynn, who lost a 9½ year battle with cancer.

Let's stay the course.

Fleetwood S. Hassell President/CEO	**Sheryl G. Sharry** Executive Vice President/CFO	**Douglas H. Sass** Executive Vice President	**Hugh C. Lane, Jr.** Chairman

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The Bank of South Carolina

March 11, 2013

Dear Shareholder:

The Annual Meeting of Shareholders of Bank of South Carolina Corporation will be held at 2:00 p.m. on Tuesday, April 9, 2013, at The Bank of South Carolina, 256 Meeting 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 be a part of your Company by voting on the business to come before the Annual Meeting. This year we are giving you three ways to cast your vote. Even if you plan to attend the meeting we encourage you to vote as soon as possible by using one of the following:

- Vote by Internet-www.proxyvote.com
- Vote by Phone 1-800-690-6903
- Vote by Mail—Use the postage paid envelope provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717

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

Sincerely,

Fleetwood S. Hassell
President

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

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PROXY MATERIAL OF
BANK OF SOUTH CAROLINA CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 9, 2013

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 Bank of South Carolina, 256 Meeting Street Charleston, South Carolina, on Tuesday, April 9, 2013, at 2:00 p.m., for the following purposes:

1. *Elect Directors*. To elect nineteen Directors of Bank of South Carolina Corporation to serve until the Company's 2014 Annual Meeting of Shareholders;

2. *Advisory (Non-binding) Vote on Executive Compensation*. To obtain a non-binding resolution approving the compensation paid to the Company's named Executive Officers as disclosed pursuant to Item 402 Regulation S-K, including the Executive Compensation-Compensation Discussion and Analysis, Compensation Table and narrative discussion (Say on Pay);

3. *Advisory (Non-binding) Vote on Frequency of Voting on Say on Pay Proposal.* To approve a non-binding resolution to determine whether Shareholders should vote on Say on Pay proposals every one, two, or three years (Say on Frequency);

4. *Ratify Independent Accountant.* 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, 2013;

5. *Other Business.* To transact such other business as may properly come before the meeting.

Shareholders of record at the close of business on March 1, 2013, 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 use this opportunity to take part in the affairs of your Company by voting on the business to come before the Annual Meeting. Even if you plan to attend the Annual Meeting, we encourage you to vote as soon as possible through the Internet, by telephone or by signing, dating and mailing your proxy card in the envelope enclosed. Internet voting permits you to vote at your convenience, 24 hours a day, seven days a week. Detailed voting instructions are included on your proxy card.

By Order of the Board of Directors

Richard Hutson Jr.

Richard W. Hutson, Jr., Secretary
February 28, 2013

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 2013 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 11, 2013.

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 9, 2013
Time: 2:00 p.m. Eastern Standard Time
Place: The Bank of South Carolina, 256 Meeting 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 nineteen Directors of Bank of South Carolina Corporation to serve until the Company's 2014 Annual Meeting of Shareholders.

Proposal 2: To obtain a non-binding resolution approving the compensation paid to the Company's named Executive Officers as disclosed pursuant to Item 402 of Regulation S-K, including the Executive Compensation–Compensation Discussion and Analysis, Compensation table and narrative discussion (Say on Pay);

Proposal 3: To approve a non-binding resolution to determine whether Shareholders should vote on Say on Pay proposals every one, two, or three years (Say on Frequency);

Proposal 4: 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, 2013.

Proposal 5: 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 9, 2013

This Proxy Statement (providing important information for the Annual Meeting) and the Company's Annual Report (which includes its Annual Report on Form 10-K as filed with the Securities and Exchange Commission) accompany this Notice. The Proxy Statement and 2012 Annual Report to Shareholders are available at http://www.banksc.com and at http://www.proxyvote.com.

Who is Entitled to Vote?

The Board of Directors of the Company has fixed the close of business on March 1, 2013, 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 March 1, 2013, there were 4,446,239 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 proposals as recommended by the Board of Directors. 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 hold your shares in street name, it is critical that you cast your vote if you want it to count in the election of Director Nominees, for the approval of the Say on Pay proposal, and the Say on frequency proposal. In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of Directors or on executive compensation matters, your bank or broker was allowed to vote those shares on your behalf in the election of Directors and on executive compensation matters as they deemed appropriate. Changes in regulations were made to take away the ability of your bank or broker to vote your uninstructed shares in the election of Directors and on executive compensation matters on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your bank or broker how to vote in the election of Directors, on Say on Pay proposal, or in the Say on Frequency proposal, no votes will be cast on your behalf.

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 March 1, 2013, 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, March 1, 2013.

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	458,166 (2)	10.30%
Common Stock	The Bank of South Carolina Employee Stock Ownership Plan and Trust ("the ESOP") 256 Meeting Street Charleston, SC 29401	269,234(3)	6.06%

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(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 644,550 shares or 14.50% 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., Chairman of the Board of Directors of the Bank and the Company, directly owns and has sole voting and investment power with respect to 268,792 shares; as Trustee for one trust accounts holding an aggregate of 27,429 shares, he has sole 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, and 30,918 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, President/Chief Executive Officer and Director of the Bank and Company, Sheryl G. Sharry, Chief Financial Officer/ Executive Vice President and Director of the Bank and the Company and Hugh C. Lane, Jr., Chairman of the Board of Directors of the Bank and the Company, disclaim beneficial ownership of the 269,234 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	79,846[(1)]	1.80%
Common Stock	Hugh C. Lane, Jr. 30 Church Street Charleston, SC 29401	458,166[(1)]	10.30%
Common Stock	Sheryl G. Sharry 1550 Kentwood Drive James Island, SC 29412	66,147[(1)]	1.49%
Common Stock	Douglas H. Sass 26 Gadsden Street Charleston, SC 29401	18,253[(1)]	.41%

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	1,351	.03%
Common Stock	Graham M. Eubank, Jr. 791 Navigators Run Mt. Pleasant, SC 29464	861	.02%
Common Stock	Elizabeth M. Hagood 46 South Battery Charleston, SC 29401	-	-
Common Stock	Glen B. Haynes, DVM 101 Drayton Drive Summerville, SC 29483	5,203	.12%
Common Stock	William L. Hiott, Jr. 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	10,804(1)	.24%
Common Stock	Richard W. Hutson, Jr. 124 Tradd Street Charleston, SC 29401	5,977	.13%
Common Stock	Charles G. Lane 10 Gillon Street Charleston, SC 29401	157,164(1)	3.55%
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	4,460[(1)]	.10%
Common Stock	Steve D. Swanson 615 Pitt Street Mount Pleasant, SC 29464	7,226	.16%
Common Stock	All Directors, Nominees, and Executive Officers as a group (19 persons)	1,033,566	23.46%

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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 11,708 shares owned by his wife, owned by a non-emancipated son, held by him as a co-Trustee with Charles G. Lane for the children of Hugh C. Lane, Jr., and 30,032 shares owned by the ESOP, in which he has a vested interest; Hugh C. Lane, Jr. - an aggregate of 158,456 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 a Trustee of Mills Bee Lane Memorial Foundation, and 30,918 shares owned by the ESOP in which he has a vested interest; Sheryl G. Sharry 29,468 shares owned by the ESOP, in which she has a vested interest; Douglas H. Sass 12,021 shares owned by the ESOP in which he 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 18,691 shares owned by his wife, held by him as a co-Trustee with Fleetwood S. Hassell for the children of Hugh C. Lane, Jr., and held by him as a Trustee of Mills Bee Lane Memorial Foundation; Louise J. Maybank – 17,991 shares held by her as a co-Trustee for a Family Charitable Trust; Edmund Rhett, Jr., MD - 831 shares owned by his wife; David R. Schools – 4,026 shares owned by his wife. 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, 2012:

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]	36,717	$13.44	-
2010 Omnibus Stock Incentive Plan approved by Shareholders[3]	137,750	10.60	162,250
Total	174,467	$11.20	162,250

[1] In accordance with the 1998 Omnibus Stock Incentive Plan, options are no longer granted under this Plan. This Plan expired April 14, 2008. Options granted before this date shall remain valid in accordance with their terms. There are options to purchase 7,292 shares that will expire on May 15, 2013, if not exercised.

[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, who received options for 10,000 shares, and Douglas H. Sass who received options for 5,000 shares, all of whom are Executive Officers. During the year ended December 31, 2011, options for 5,750 shares were forfeited with the resignation of 2 employees. On June 28, 2012, options for 9,000 shares were granted to 5 employees including Douglas H. Sass, an Executive Officer who received options for 5,000 shares. In addition, options for 2,500 shares were granted to 1 employee on September 24, 2012. During the year ended December 31, 2012 options for 4,000 shares were forfeited (1,250 had been issued under the 2010 Plan) with the resignation of 3 employees.

PROPOSAL 1: TO ELECT NINETEEN DIRECTORS OF BANK OF SOUTH CAROLINA CORPORATION TO SERVE UNTIL THE COMPANY'S 2014 ANNUAL MEETING OF SHAREHOLDERS.

The Board of Directors proposes that the 19 nominees described below be elected for a new term expiring at the 2014 Annual Meeting of Shareholders and until their successors are duly elected and qualified. All nominees except, Douglas H. Sass and Elizabeth M. Hagood, are currently members of the Board.

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 Officer 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 17 -20 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 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. These restrictions being no longer applicable, Mr. Swanson was re-elected by the Shareholders on April 12, 2011.

Douglas H. Sass, an Executive Officer, and Elizabeth M. Hagood were recommended for nomination by the Nominating Committee of the Board of Directors. This recommendation was approved by the Board of Directors on December 20, 2012 and will be voted on at the 2013 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 53 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 Executive Vice President and Senior Lender. Effective April 11, 2012 Mr. Hassell was elected President/Chief Executive Officer. 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 65 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 served as President/Chief Executive Officer of the Bank from 1986 and of the Company from 1995. On April 11, 2012 he announced his retirement as President/Chief Executive Officer. He has served as Chairman of the Board of Directors of The Bank of South Carolina since its organization in 1986, and Chairman of the Board of Directors 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 Ownership 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 58 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. Mrs. Sharry serves as an Administrator and Trustee of the Bank of South Carolina Employee Stock Ownership 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 49 years. She is a graduate of the College of Charleston, South Carolina Bankers School, and 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, in 2011 she completed The Darden/SNL Executive Program in Bank Financial Leadership, and in 2012 she attended as SEC Institute 10-K In Depth Workshop. 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.

Douglas H. Sass Age 55 Nominee
Mr. Sass joined The Bank of South Carolina ("the Bank") in January 1994. He began his banking career in 1980 as management associate with Citizens and Southern National Bank of South Carolina. Over a ten year period he was promoted to Branch Manager and then Retail and Commercial Lender. He spent three years in the real estate appraisal business. Mr. Sass joined the Bank as a Commercial Lender and Business Development Officer and also oversaw implementation of its Real Estate Appraisal Review Program. He served as the Bank's Security Officer, Appraisal Officer and CRA Officer before becoming Executive Vice President and Senior Lender in April of 2012. He is charged with overseeing the Bank's Loan Department, Credit Department, Mortgage Origination Department and branch administration. Mr. Sass is a native of Charleston and a graduate of The Citadel with a degree in Business Administration. He is a graduate of the South Carolina Bankers School at the University of South Carolina and The Graduate School of Bank Management at the University of Virginia. Mr. Sass has served on various committees of the South Carolina Bankers Association, is currently on the Boards of the Charleston Museum and Tri-County Family Ministries, and is active in various civic organizations.

Given Mr. Sass's experience in banking, his strong background in commercial lending and business development and his continued devotion to the success of the Company, the Nominating Committee recommended his election to the Board.

<u>Non-Employee Directors and Nominees</u>
David W. Bunch Age 62 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. In addition, Mr. Bunch attended a South Carolina Bankers School program specific for bank Directors. 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, 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 45 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.

Elizabeth M. Hagood Age 51 Nominee
Mrs. Hagood is currently the Executive Director of the Lowcountry Open Land Trust (since 2010), having initially served in this capacity as its first Executive Director 1989-1995. Mrs. Hagood moved to Charleston with her husband, Maybank, following their graduations from the Darden School of Business at the University of Virginia (MBA, 1989). Mrs. Hagood grew up in Charlotte, NC, graduated from St. Catherine's School in Richmond, Virginia (1979) and from Davidson College (BA, 1983). Currently, Mrs. Hagood serves as a Trustee of Woodberry Forest School in Virginia and on the Vestry of St. Philip's Church. In addition, she has recently served as a Trustee of Historic Charleston Foundation and the Episcopal Diocese of South Carolina, on the Board of Advisors of the Gaylord M. Donnelley Foundation, as chairman of the SC DHEC board, and as chairman of the Alumnae Board of St. Catherine's School. Mrs. Hagood and her husband have three children ages 20, 18 and 16.

Elizabeth Hagood has been dedicated to her work as the Executive Director of the Lowcountry Open Land Trust showing great leadership and work ethic. The nominating Committee considered this work with the Lowcountry Open Land Trust as well as her experience serving as Trustee and Chairman of various boards, in recommending Mrs. Hagood to the Board of Directors.

Glen B. Haynes, DVM Age 58 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 68 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 71 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 does various volunteer work including, 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 55 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. Mr. Hutson is the Manager of William M. Means Insurance Company.

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 58 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 74 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 County, North Carolina, Mrs. Maybank has lived in Charleston, South Carolina for 54 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 62 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 19 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 61 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 and residency in Internal Medicine at Duke University Medical Center. In addition, Dr. Nussbaum completed a Fellowship in Rheumatology and Immunology at the Medical University of South Carolina. He has practiced rheumatology in Charleston since 1982 and has served on the Board and as President of the Medical Society of South Carolina, the nonprofit physicians' organization which is the majority owner of Roper St. Francis Health System. He has also served on the Board of Directors of the Roper St. Francis Health System and on the Board of Directors of Roper Hospital, completing a term as Chairman in 2011. Dr. Nussbaum has served on the Board of the Charleston County Concert Association, as President of Synagogue Emanu-El, and as a 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 65 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.

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 54 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 Past Chairman of the Board of Trustees of Ashley Hall School and treasurer of the Carolina Gold Rice Foundation. 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 as Past Chairman of 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 is dedicated to the success of the Company.

David R. Schools Age 54 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 Board of Greenbax Enterprises, Inc. He also serves or has served on the Boards of various charitable, community, and civic organizations.

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 45 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.

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.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE NOMINEES.

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, 2012. 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 Hugh C. Lane, Jr., 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 Hugh C. Lane, Jr., brings Company-specific experience and expertise. The Board believes that the combined experience as Chairman of the Board and past President/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 the Chairman of the Board and an Independent Lead Director, having the duties described below, is in 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. In addition, the Company hired Eugene H. Walpole, IV, CPA, CFSA, and CRMA, as Risk Manager to oversee internal controls of the Company.

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
Fleetwood S. Hassell		X		
Glen B. Haynes, DVM	X			
William L. Hiott, Jr.		X		
Katherine M. Huger	X			
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				
David R. Schools	X		X	X
Sheryl G. Sharry		X		
Steve D. Swanson				

The Audit and Compliance Committee (the "Audit Committee") members are appointed and approved by the Board of Directors, annually. The Audit Committee is to be comprised of not less than 4 members of the Board of Directors or such larger number as approved by the Board of Directors. During 2012, the Audit Committee held 5 meetings. 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, Chairman of the Audit Committee, qualifies as a financial expert under the applicable guidelines of the Securities and Exchange Act.

The Audit Committee operates under a written Charter adopted by the Board of Directors (attached as Exhibit A to the 2004 Proxy Statement). The Charter outlines the Committee's responsibilities for overseeing the entire audit function and appraising the effectiveness of internal and external audit efforts including; 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 Charter may be amended by the Board of Directors at any time.

The Audit 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 Executive/Long-Range Planning Committee consists of the President of the Company, Chairman of the Board, two Executive Officers and five designated Directors. Alan I. Nussbaum, MD an Independent Director serves as Chairman of the Committee. During 2012, the Executive/long-Range Planning Committee held 3 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 2 times in 2012.

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 2012.

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 or no 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 Nominee for a position on the Company's Board of Directors. The qualifications include:

- 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
- have demonstrated in meetings with the Nominating Committee a commitment to the best interest 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 whether the Nominee is recommended by a committee member or 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., Chairman of the Board, Sheryl G. Sharry, Chief Financial Officer/Executive Vice President, Fleetwood S. Hassell, President/Chief Executive Officer, William L. Hiott, Jr., retired Executive Vice President/Treasurer, and Charles G. Lane, brother of Hugh C. Lane. Douglas H. Sass, current nominee for the Board of Directors, is an Executive Vice President of The Bank and the Company and will therefore not be considered independent, if elected.

Code of Business Conduct and Ethics: A Code of Ethics for officers, Directors and employees was attached to the 2004 10-KSB. 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 Fleetwood S. Hassell, President/Chief Executive Officer, Bank of South Carolina Corporation, 256 Meeting Street, Charleston, South Carolina 29401, or to fax such communication to Fleetwood S. Hassell, President/Chief Executive Officer, 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 Dr. Linda J. Bradley McKee., Chairman
Bank of South Carolina Corporation
3401 Waterway Blvd.
Isle of Palms, SC 29451

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, Chairman of the Board, is a Managing Member of Holcombe, Fair and Lane, LLC. The contract is a two year lease on office space at a rate of $2,095 a month. In addition, Sass, Herrin and Associates, Inc. an appraisal firm, is on the Company's list of approved appraisal company's. Herbert R. Sass, III, MAI, SRA, fifty percent owner of Sass, Herrin and Associates, Inc., is the brother of Douglas H. Sass, Executive Vice President. 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. Related party transactions have been and will continue to be made as any other ordinary business transaction using substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. These transactions did not and will not involve more than the normal risk of collectability or present any other unfavorable features.

PROPOSAL 2: To provide advisory approval of the compensation of the named Executive Officers (Say on Pay).

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") enables the Shareholders of the Company to vote to approve, on a non-binding basis, the compensation of the Company's named Executive Officers as disclosed pursuant to Item 402 of Regulation S-K of the Securities and Exchange Commission. Accordingly, the Board of Directors recommends that you approve the compensation of the Company's named Executive Officers as described under Executive Compensation-Compensation Discussion and Analysis, the Compensation Table and narrative discussion in this Proxy Statement.

The Company seeks to align the interests of its named Executive Officers with the interests of its Shareholders. Therefore, the Company's compensation programs are designed to reward the named Executive Officers for the achievement of strategic and operational goals and the achievement of increased Shareholder value, while at the same time avoid encouraging of unnecessary or excessive risk-taking. The Compensation Committee of the Board does not engage external compensation consultants to provide an independent and objective review of the Company's compensation program for executive management or to offer recommendations on this compensation program. The Company believes that its compensation policies and procedures are competitive and focused on performance and are strongly aligned with the long-term interest of its Shareholders.

The proposal described below, commonly known as a "Say on Pay" proposal, gives you the opportunity to express your views regarding the compensation of the named Executive Officers by voting to approve or not approve such compensation as described in this Proxy Statement. This vote is advisory and will not be binding upon the Company, the Board or the Compensation Committee. However, the Company, the Board and the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements. The vote on this resolution is not intended to address any specific element of compensation, but rather relates to the overall compensation of the named Executive Officers, as described in this Proxy Statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission.

The Board recommends that the Shareholders vote in favor of the following resolution at the Annual Meeting:

> "RESOLVED, that the compensation paid to the Company's named Executive Officers, as disclosed in the Company's Proxy Statement for the 2013 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Executive Compensation - Compensation Discussion and Analysis, the compensation tables and any related material disclosed in the Proxy Statement, is hereby APPROVED."

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

PROPOSAL 3: To provide advisory approval for the frequency of the vote on compensation of the named Executive Officers (Say on Frequency)

The Dodd-Frank Act requires that the Company provide Shareholders with the opportunity to vote, on a non-binding advisory basis, for their preference as to how frequently the Company should consult the Shareholders through an advisory Say on Pay vote. Shareholders may indicate whether they would prefer that the Company conduct future Say on Pay votes every year, every two years or every three years. Shareholders also may abstain from casting a vote on this proposal.

The Board of Directors has determined that a Say on Pay vote that occurs once every three years is the most appropriate alternative for the Company and therefore the Board recommends that you vote in favor of conducting a Say on Pay vote every three years. The Board believes that a Say on Pay vote occurring every three years will provide our Shareholders with sufficient time to evaluate the effectiveness of the Company's overall compensation philosophy, policies and practices in the context of the long-term business results of the Company for the corresponding period, while avoiding an over-emphasis on short-term variations in compensation and business results. A Say on Pay vote occurring every three years will also permit Shareholders to observe and evaluate the effect of any changes to the executive compensation policies and practices of the Company that have occurred since the last advisory vote on executive compensation.

This vote is advisory, which means that is not binding on the Company, the Board of Directors and the Compensation Committee. The Company recognizes that the Shareholders may have different views as to the best approach and looks forward to hearing from the Shareholders as to their preferences on the frequency of the Say on Pay vote. The Board of Directors and Compensation Committee will carefully review the outcome of the frequency vote; however, when considering the frequency of future Say on Pay votes, the Board of Directors may decide that it is in the Company's and the Shareholders' long-term best interest to hold a Say on Pay vote more or less frequently than the frequency receiving the most votes cast by the Shareholders.

The proxy card provides Shareholders with the opportunity to choose among four options (holding the Say on Pay vote every year, every two years, every three years or abstain from voting). Shareholders are not being asked to approve or disapprove the recommendation of the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE OPTION OF ONCE EVERY THREE YEARS AS THE PREFERRED FREQUENCY FOR SAY ON PAY VOTES.

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, 2012. 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	$6,950	$6,950
Graham M. Eubank, Jr.	$4,650	$4,650
Fleetwood S. Hassell	-	-
Glen B. Haynes, DVM	$8,200	$8,200
William L. Hiott, Jr.	$6,900	$6,900
Katherine M. Huger	$6,900	$6,900
Richard W. Hutson, Jr.	$4,950	$4,950
Charles G. Lane, Jr.	$6,150	$6,150
Hugh C. Lane, Jr.	-	-
Louise J. Maybank	$6,450	$6,450
Dr. Linda J. Bradley McKee, CPA	$5,550	$5,550
Alan I. Nussbaum, MD	$6,600	$6,600
Edmund Rhett, Jr. MD	$6,300	$6,300
Malcolm M. Rhodes, MD	$5,700	$5,700
David R. Schools	$5,250	$5,250
Sheryl G. Sharry	-	-
Steve D. Swanson	$3,550	$3,550

Non-Executive-Officer Directors of the Company received $150.00 for each meeting of the Board of Directors of the Company attended and non-Executive-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.

Section 16A Beneficial Ownership Reporting Compliance

David R. Schools, Director of the Bank and 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:

- Fleetwood S. Hassell, President/Chief Executive Officer, Director
- Sheryl G. Sharry, Chief Financial Officer/Executive Vice President, Director
- Hugh C. Lane, Jr., Chairman of the Board
- Douglas H. Sass, Executive Vice President

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 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 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 the 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, 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, 2012 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 four 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.

Based on the outstanding performance of the Company for the year ended December 31, 2012, the Compensation Committee and the Board of Directors approved a $10,000 bonus for each of the Executive Officers. The bonus was approved and paid in December 2012.

The Compensation Committee recommended no increase in the Executive Officers Salaries for the year ending 2013.

The following table sets forth all remuneration paid during the years ended December 31, 2012, 2011, and 2010 by the Bank to the Chairman of the Board and 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. On April 10, 2012 Hugh C. Lane, Jr., announced his retirement as President/Chief Executive Officer of the Bank and the Company. At the request of the Board of Directors he will continue his role as Chairman of the Board. Also on that date, Fleetwood S. Hassell was named President/Chief Executive Officer and Douglas H. Sass was named Executive Vice President. The Compensation Committee recommended and the Board approved a $10,000 bonus for each of the Executive Officers for the year ended December 31, 2012. This increase as well as the increase for the promotions of Fleetwood S. Hassell and Douglas H. Sass, are reflected in the table below.

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., Chairman of the Board, Retired President and Chief Executive Officer	2012	$230,101.45	$100.00					$15,247.66	$245,449.11
	2011	$230,101.70	$100.00					$13,596.13	$243,797.83
	2010	$220,101.55	$100.00					$12,626.61	$232,828.16
Fleetwood S. Hassell President/Chief Executive Officer	2012	$182,184.75	$10,100					$12,204.70	$204,489.45
	2011	$165,101.54	$100.00					$9,755.44	$174,956.98
	2010	$155,101.39	$100.00					$4,610.75	$159,812.14
Sheryl G. Sharry Chief Financial Officer/Executive Vice President	2012	$157,301.45	$10,100					$10,624.49	$178,025.94
	2011	$147,301.46	$100.00					$8,703.68	$156,105.14
	2010	$137,364.25	$100.00					$7,876.60	$145,340.85
Douglas H. Sass, Executive Vice President	2012	$121,889.79	$10,100		5,000			$8,375.76	$140,365.55

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.

2) The bonus consists of a $100 bonus presented to all employees at Christmas in 2012, 2011 and 2010. It also includes an additional $10,000 bonus to each of the Executive Officers recommended by the Compensation Committee and approved by the Board of Directors for the outstanding performance of the Company for the year ended December 31, 2012.

3) The Company did not issue any stock to its Executive Officers during the years ended December 31, 2012, 2011 or 2010.

4) The Company issued options to purchase 5,000 shares of stock to Douglas H. Sass on June 28, 2012 at $11.11 per share. On June 23, 2011, Fleetwood S. Hassell and Sheryl G. Sharry were issued options to purchase 10,000 shares of stock and Douglas H. Sass received options to purchase 5,000 shares of stock at $10.42 per share.

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) Douglas H. Sass was promoted to Executive Vice President on April 10, 2012.

The median salary for all employees other than the Executive Officers was $48,201.48.

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.	15,247.66	15,247.66
Fleetwood S. Hassell	12,204.70	12,204.70
Sheryl G. Sharry	10,624.49	10,624.49
Douglas H. Sass	8,375.76	8,375.76

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, on January 26, 2012 (incorporated as Exhibit 10.5 in the 2011 10-K). The Plan has been submitted to the IRS for approval and at the time of this filing, the Company has received an acknowledgement letter from the IRS but has not received a determination letter.

The Board of Directors of the Bank approved the contribution of $285,000 to the ESOP for the fiscal year ended December 31, 2012. The contribution was made during 2012. 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 269,234 shares or 6.06% of the Company's Common Stock.

During the fiscal year ended December 31, 2012, 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 June 28, 2012, options for 9,000 shares were granted to 5 employees including Douglas H. Sass, Executive Vice President, who received options for 5,000 shares. On September 24, 2012, options to purchase 2,500 shares were granted to 1 employee. Options to purchase 4,000 shares were forfeited with the resignation of 3 employees during the year ended December 31, 2012.

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 Chief Financial Officer/Executive Vice President and Fleetwood S. Hassell, President/Chief Executive Officer who each received options for 10,000 shares. Douglas H. Sass, Executive Vice President also received options on June 23, 2011 to purchase 5,000 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. The following information with respect to the outstanding equity awards as of December 31, 2012, 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	2,200	3,300	-	$15.11	May 17, 2016	-	-	-	-
	-	10,000	-	$10.42	June 23, 2021	-	-	-	-
Sheryl G. Sharry	-	10,000	-	$10.42	June 23, 2021	-	-	-	-
Douglas H. Sass	-	5,000	-	$10.42	June 23, 2021	-	-	-	-
	-	5,000	-	$11.11	June 28, 2022	-	-	-	-

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 Fleetwood S. Hassell, President/Chief Executive Officer; Sheryl G. Sharry, Chief Financial Officer/Executive Vice President, Hugh C. Lane, Jr., Chairman of the Board and Douglas H. Sass, Executive Vice President. 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 $14.92 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 including options to purchase 10,000 shares to Fleetwood S. Hassell and Sheryl G. Sharry, and options to purchase 5,000 shares to Douglas H. Sass, Executive Officers. Options to purchase 5,750 shares at an exercise price of $10.42 were forfeited in 2011. On June 28, 2012, options for 9,000 shares were granted to 5 employees including Douglas H. Sass, Executive Vice President, who received options for 5,000 shares. On September 24, 2012, options to purchase 2,500 shares were granted to 1 employee. Options to purchase 4,000 shares were forfeited with the resignation of 3 employees during the year ended December 31, 2012.

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) under the 1998 plan, options to purchase 7,292 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 and options to purchase 2,200 shares at an option price of $12.90 per share. Options to purchase 7,292 shares at an option price of $8.54 per share, will expire if not exercised, on May 15, 2013.

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, options to purchase 96,000 shares at $10.42, options to purchase 9,000 shares at an option price of $11.11 and options to purchase 2,500 shares at 12.00 per share.

Hugh C. Lane, Jr., Chairman of the Board, 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 Fleetwood S. Hassell, President/Chief Executive Officer were granted options to purchase 8,250 shares at a price of $13.50 per share. Douglas H. Sass, Executive Vice President was granted options to purchase 5,500 shares at a price of $13.50 per share. These options became exercisable in five 20% increments beginning May 14, 2006, with an additional 20% 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 13,724 shares and Douglas H. Sass purchased 9,149 shares at 8.11 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 with an additional 20% on May 17, 2012. Mr. Hassell has not exercised his options to purchase the 2,200 shares in which he is vested. On June 23, 2011, Fleetwood S. Hassell and Sheryl G. Sharry were each granted options to purchase 10,000 shares and Douglas H. Sass was granted options for 5,000 at an exercise price of $10.42. These options will become exercisable in five 20% increments on June 23, 2016. On June 28, 2012 Mr. Sass was granted options to purchase 5,000 shares at an exercise price of $11.11 per share. These options will become exercisable in five 20% increments on June 28, 2017.

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, 2012.

2012 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 five 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, 2012

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 2012. 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, 2012, 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, 2012, for the filing with the Securities and Exchange Commission. During 2012 the Committee appointed Elliott Davis, LLC as the Company's independent auditors for the year ending December 31, 2013.

Submitted by:
Dr. Linda J. Bradley McKee, CPA, Chairman
Glen B. Haynes
Katherine M. Huger
Richard W. Hutson, Jr.
David R. Schools

PROPOSAL 4: 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, 2013.

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, 2013, 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 2012 and 2011 Annual Shareholders Meetings. At the 2013 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, 2013, 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, 2012 and 2011. 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 2012 or 2011.

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, 2012 and 2011 were preapproved by the Audit Committee.

		2012		2011
Audit Fees	$	76,500	$	81,000
Audit related fees		250		2,250
Total audit and related fees		76,750		83,250
Tax Fees		10,025		9,275
Total Fees	$	86,775	$	92,525

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, 2013.

PROPOSAL 5: 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

On February 3, 2012 the Company was served with pleadings with respect to a South Carolina State Supreme Court Case for the "unauthorized practice of the law" arising from the modifications of real estate loans. The South Carolina State Supreme Court heard this case on June 19, 2012 and expects to render a decision in the near future. 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, 2012, filed with the Securities and Exchange Commission on Form 10-K, is mailed herewith to all Shareholders.

SHAREHOLDER PROPOSALS FOR THE 2014 ANNUAL SHAREHOLDERS' MEETING

Shareholder proposals, if any, for inclusion in the Proxy Statement relating to the 2014 Annual Shareholders' meeting, must be addressed to and received in the office of the President no later than December 2, 2013. 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 28, 2013

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, 2012

[ ] 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, 2012 was: $50,153,576

As of March 1, 2013, the Registrant has outstanding 4,446,239 shares of common stock.

BANK OF SOUTH CAROLINA CORPORATION
AND SUBSIDIARY

Table of Contents

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 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 10-Q, 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 4 years. 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. In addition, Charleston has become one of the top 10 fastest growing cities in the US for software and Internet technology. Charleston was also voted the top US city by "Conde Nast."

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 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 fee based courier service and ACH origination service as part of its deposit services for commercial customers.

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, 2012, the Bank employed 78 people, with 2 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 on both the financial services industry as a whole and on the Company's business, results of operations, and financial condition.

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 million 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. Risk Factors

Not applicable

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

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. Legal Proceedings

On February 3, 2012 the Company was served with pleadings with respect to a South Carolina State Supreme Court Case for the "unauthorized practice of the law" arising from the modifications of real estate loans. The South Carolina State Supreme Court heard this case on June 19, 2012 and expects to render a decision in the near future. At this time it is impossible to predict the outcome/results of a final order. Any financial claim is not estimable currently.

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.

Item 4. Mine Safety Disclosures

Not applicable

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 4,446,239 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, 2012. 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 2012, 2011 and 2010. All information has been adjusted for a 10% stock dividend declared on August 26, 2010.

	High	Low	Dividends
2012			
Quarter ended March 31, 2012	$ 11.80	$ 10.10	$ 0.11
Quarter ended June 30, 2012	$ 12.00	$ 11.05	$ 0.11
Quarter ended September 30, 2012	$ 12.50	$ 11.10	$ 0.11
Quarter ended December 31, 2012	$ 12.00	$ 10.73	$ 0.12
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

As of January 1, 2013, there were approximately 1,200 shareholders of record with shares held by individuals and in nominee names, and on March 1, 2013, the market price for the common stock of the Company was $11.83.

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 March 1, 2013, there were 4,665,690 shares of common stock issued and 4,446,239 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, on January 26, 2012 (incorporated as Exhibit 10.5 in the 2011 10-K). The Plan has been submitted to the IRS for approval and at the time of this filing, the Company has received an acknowledgement letter from the IRS but has not received a determination letter. The Board of Directors of the Bank approved the cash contribution of $285,000 to The Bank of South Carolina Employee Stock Ownership Plan for the fiscal year ended December 31, 2012. The contribution was made during 2012.

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 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 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 269,234 shares of common stock of Bank of South Carolina Corporation.

Item 6. Selected Financial Data

Consolidated Financial Highlights

	2012	2011	2010	2009	2008
For December 31:					
Net Income	$ 3,666,828	$ 3,189,318	$ 3,110,513	$ 1,869,854	$ 2,939,297
Selected Year End Balances:					
Total Assets	325,410,646	334,028,769	280,521,267	265,914,758	243,665,930
Total Loans (1)	235,608,502	221,287,699	213,933,980	217,315,936	183,538,172
Investment Securities Available for Sale	58,514,216	59,552,160	39,379,613	36,862,345	37,896,250
Federal Funds Sold	-	-	19,018,104	3,779,693	13,352,303
Interest Bearing Deposits in Other Banks	25,903,960	47,504,282	715,231	1,139,875	814,104
Earning Assets	320,026,678	328,344,141	273,046,928	259,097,849	235,600,829
Deposits	291,073,843	301,127,515	250,436,975	229,837,680	214,786,515
Shareholders' Equity	33,930,442	31,993,869	28,718,882	27,567,197	26,808,064
Weighted Average Shares Outstanding-Diluted	4,445,738	4,439,887	4,416,065	4,394,366	4,375,485
For the Year:					
Selected Average Balances:					
Total Assets	317,438,538	308,509,718	266,061,304	257,195,300	228,987,689
Total Loans (1)	220,780,471	212,960,987	212,960,118	202,885,118	165,905,847
Investment Securities Available for Sale	57,982,652	52,289,136	37,410,074	37,325,137	37,210,126
Federal Funds Sold and Resale Agreements	-	7,578,169	6,845,910	7,095,852	14,475,859
Interest Bearing Deposits in Other Banks	32,386,509	27,800,598	825,108	791,097	1,315,222
Earning Assets	311,149,632	300,628,890	258,041,210	248,097,204	218,907,054
Deposits	283,365,379	276,859,602	233,712,645	223,770,359	200,955,703
Shareholders' Equity	33,415,008	30,429,970	28,606,139	27,546,030	26,470,992
Performance Ratios:					
Return on Average Equity	10.97%	10.48%	10.87%	6.79%	11.10%
Return on Average Assets	1.16%	1.03%	1.27%	.73%	1.28%
Average Equity to Average Assets	10.53%	9.86%	10.75%	10.71%	11.56%
Net Interest Margin	3.86%	3.83%	4.30%	4.17%	4.69%
Net Charge-offs to Average Loans	.01%	.13%	.36%	.38%	.06%
Allowance for Loan Losses as a Percentage of Total Loans (excluding mortgage loans held for sale)	1.58%	1.45%	1.41%	1.42%	.79%
Per Share:					
Basic Earnings	$ 0.82	$ 0.72	$ 0.70	$ 0.43	$ 0.67
Diluted Earnings	0.82	0.72	0.70	0.43	0.67
Year End Book Value	7.63	7.20	6.48	6.26	6.74
Cash Dividends Declared	0.45	0.42	0.40	0.32	0.64
Dividend Payout Ratio	54.56%	58.49%	54.27%	68.28%	86.44%
Full Time Employee Equivalents	76	76	72	72	67

(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,				
	2012	2011	2010	2009	2008
Operating Data:					
Interest and fee income	$ 12,462,859	$ 12,277,604	$ 12,166,183	$ 11,671,949	$ 12,146,820
Interest expense	455,619	778,028	1,066,391	1,336,329	1,878,778
Net interest income	12,007,240	11,499,576	11,099,792	10,335,620	10,268,042
Provision for loan losses	350,000	480,000	670,000	2,369,000	192,000
Net interest income after provision for loan losses	11,657,240	11,019,576	10,429,792	7,966,620	10,076,042
Other income	2,345,463	1,777,957	2,063,697	2,264,056	1,472,854
Other expense	8,731,625	8,260,266	7,998,545	7,600,705	7,192,635
Income before income taxes	5,271,078	4,537,267	4,494,944	2,629,971	4,356,261
Income tax expense	1,604,250	1,347,949	1,384,431	760,117	1,416,964
Net income	$ 3,666,828	$ 3,189,318	$ 3,110,513	$ 1,869,854	$ 2,939,297
Basic income per share	$ 0.82	$ 0.72	$ 0.70	$ 0.43	$ 0.67
Diluted income per share	$ 0.82	$ 0.72	$ 0.70	$ 0.43	$ 0.67
Weighted average common shares-basic	4,445,738	4,439,887	4,416,065	4,390,835	4,362,812
Weighted average common shares – diluted	4,445,738	4,439,887	4,416,065	4,394,366	4,375,485
Dividends per common share	$ 0.45	$ 0.42	$ 0.40	$ 0.32	$ 0.64

	As of December 31,				
	2012	2011	2010	2009	2008
Balance Sheet Data:					
Investment securities available for sale	$ 58,514,216	$ 59,552,160	$ 39,379,613	$ 36,862,345	$ 37,896,250
Total loans (1)	235,608,502	221,287,699	213,933,980	217,315,936	183,538,172
Allowance for loan losses	3,432,844	3,106,884	2,938,588	3,026,997	1,429,835
Total assets	325,410,646	334,028,769	280,521,267	265,914,758	243,665,930
Total deposits	291,073,843	301,127,515	250,436,975	229,837,680	214,786,515
Shareholders' equity	33,930,442	31,993,869	28,718,882	27,567,197	26,808,064

(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. Management's Discussion and Analysis of Financial Condition and Results of Operations

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, 2012 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 weakness in the financial service industry.

These risks are exacerbated by the developments over the last four years in national and international financial markets, and management is unable to predict what effect continued uncertainty in market conditions will have on the Company. There can be no assurance that the unprecedented developments experienced over the last four years will not materially and adversely affect the Company's business, financial condition and results of operations.

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 $325.4 million in assets as of December 31, 2012 and net income of $992,173 and $3,666,828, respectively, for the three and twelve months ended December 31, 2012. 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 concept 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. Consequently, 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 non-interest income and 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, 2012 as compared to December 31, 2011 and December 31, 2011 as compared to December 31, 2010, 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 of 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, 2012 TO DECEMBER 31, 2011

Net income increased $477,510 or 14.97% to $3,666,828 or basic and diluted earnings per share of $.82 and $.82, respectively, for the year ended December 31, 2012 from $3,189,318 or basic and diluted earnings per share of $.72 and $.72, respectively for the year ended December 31, 2011. This increase was primarily due to an increase in mortgage banking income and a decrease in the cost of funds. Historically low interest rates helped to increase the volume of mortgage loan originations. In addition, the Company's market area of Berkeley, Charleston and Dorchester counties saw an increase in home sales during the year ended December 31, 2012. Mortgage loan originations increased $48,649,766 or 81.02% to $108,699,648 for the year ended December 31, 2012, from $60,049,882 for the year ended December 31, 2011.

The cost of funds decreased as a result of lower rates paid on interest bearing deposits coupled with a decrease in interest bearing deposits and an increase in non-interest bearing deposits. Interest bearing deposits decreased $23,283,733 or 10.08% to $207,626,168 for the year ended December 31, 2012. The cost associated with these deposits decreased $322,409 or 41.44% to $455,619 for the year ended December 31, 2012. On February 7, 2012, the Company was notified by a large depositor that it would begin to withdraw its deposits by the end of that month. This depositor was a company that was started in Charleston, SC and was purchased by an out-of-state company in 2007. The deposits remained with the Bank with the understanding that these deposits would eventually be moved. The balance of the deposits, all of which were interest bearing, at December 31, 2011 was $32,462,427 with $546,000 remaining at December 31, 2012. Non-interest bearing accounts increased $13,230,061 or 18.84% to $83,447,675 for the year ended December 31, 2012. The Company had a strong increase in the number of small business accounts, due to its business development efforts. The Dodd-Frank Act included a provision which required the Federal Deposit Insurance Corporation (FDIC) to provide unlimited federal deposit insurance for non-interest bearing demand accounts. This provision expired on December 31, 2012 but the Company has not experienced any impact from the expiration of this provision.

Net interest income increased $507,664 or 4.42% to $12,007,240 for the year ended December 31, 2012 from $11,499,576 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. The increase in net interest income was primarily due to an increase in interest and fees on loans and, as discussed above, a decrease in the cost of funds.

The company experienced a modest increase of $145,218 or 1.33% from interest and fees on loans, and $37,777 or 2.88% increase from interest and dividends on investment securities. Average loans increased $7,819,484 to $220,780,471 for the year ended December 31, 2012. A large portion of this increase was primarily due to an increase of $4,725,259 in average mortgage loans to be sold, from $3,164,168 for the year ended December 31, 2011 to $7,889,427 for the year ended December 31, 2012. The Company had 480 mortgage originations totaling $108,699,648 for the year ended December 31, 2012 as compared to 281 mortgage originations totaling $60,049,882 for the year ended December 31, 2011. As stated previously, the increase in mortgage originations resulted from the historically low interest rates and an increase in home sales in the Company's market area.

Average investments increased $5,693,516 to $57,982,652 for the year ended December 31, 2012. The yield on these investments decreased from 2.50% for the year ended December 31, 2011 to 2.32% for the year ended December 31, 2012. During 2011, the Company had one US Treasury Note, two Federal Agency Securities and two Municipal Securities mature that were yielding between 5.069% and 3.396%. The funds from these maturities were re-invested; however, the funds were re-invested at significantly lower interest rates.

The Company maintains an allowance for loan losses (the "allowance") which is management's best estimate of probable losses inherent in the outstanding loan portfolio. The allowance is decreased by actual loan charge-offs, net of recoveries, and is increased as necessary by charges to current period operating results through the provision for loan losses. The allowance is based on management's continuing review and credit risk evaluation of the losses inherent in the loan portfolio. Management takes into consideration many 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. Based on management's evaluation, the Company recorded a provision for loan losses of $350,000 for the year ended December 31, 2012, a decrease of 27.08% or $130,000 from $480,000 for the year ended December 31, 2011.

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 $1,005,141 in unallocated reserves at December 31, 2012 as compared to $558,267 at December 31, 2011. 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 2012, the Company recorded net charge-offs of $24,040 as compared to net charge-offs of $311,703 in 2011. Although uncertainty in the economic outlook still exists, management believes the 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.

Impaired loans at December 31, 2012 totaled $11,498,279, an increase of 55.01% over total impaired loans of $7,417,892 at December 31, 2011. Impaired loans include non-accrual loans of $3,993,816 and five restructured loans (TDR) totaling $1,618,278 at December 31, 2012. In addition, there is one credit totaling $2,623,556 which is entirely secured by a first mortgage, improving the Company's existing second real estate mortgage secured position and including the existing unsecured debt. Impaired loans at December 31, 2011 included non-accrual loans of $923,671 and two restructured loans totaling $491,153. There were no loans over 90 days past due still accruing interest at December 31, 2012 and one loan over 90 days past due that was still accruing interest at December 31, 2011. Comparing the year ended December 31, 2012 and the year ended December 31, 2011, the increase in non-accrual loans was primarily due to the addition of two very well secured first real estate mortgage loans to one borrower which totaled $1,822,592, one secured real estate mortgage totaling $508,651, and three past due loans (greater than 90 days) totaling $743,154.

Non-interest income increased $567,506 or 31.92% to $2,345,463 for the year ended December 31, 2012 from $1,777,957 for the year ended December 31, 2011. This increase was primarily due to an increase in mortgage banking income offset by a decrease in gains on securities. Mortgage banking income increased $703,183 or 104.22% to $1,377,888 for the year ended December 31, 2012 from $674,705 for the year ended December 31, 2011. Mortgage loan originations increased 81.02% or $48,649,766 for the year ended December 31, 2012. This increase was primarily due to customers taking advantage of the historically low interest rates to refinance and purchase homes. This increase was offset by a decrease of $124,672 in gains realized on the sale of investment securities in 2011. There were no sales of investment securities during the year ended December 31, 2012.

Non-interest expense increased $471,359 or 5.71% to $8,731,625 for the year ended December 31, 2012, from $8,260,266 for the year ended December 31, 2011. This increase was primarily due to increases in salaries and employee benefits, professional legal fees, data processing fees and the Employee Stock Ownership Plan (ESOP) contribution coupled with decreases in fees paid to the FDIC. Wages increased $302,641 or 6.38% from $4,742,772 for the year ended December 31, 2011 to $5,045,413 for the year ended December 31, 2012, as a result of annual merit increases and the hiring of two additional mortgage lenders and an additional loan processor. In addition, at the recommendation of the Compensation Committee, the Board of Directors approved a $10,000 bonus for Executive Officers for the year ending December 31, 2012. The Board of Directors approved this bonus in appreciation for the outstanding performance of the Bank. The bonus was paid in December 2012. The cost of providing insurance for employees also increased with the additional employees and a rate increase by the Company's insurance provider. The cost increased $73,721 from $365,646 for the year ended December 31, 2011 to $439,367 for the year ended December 31, 2012. Data processing fees increased $113,242 or 25.36% for the year ended December 31, 2012. This increase was primarily a result of additional customers signing up for eCorp (online banking for businesses) and remote deposit capture. The Company's data processing fees will continue to increase as additional customers sign up for these products. Professional legal fees increased $50,623 primarily as the result of legal counsel provided on one case, discussed more fully in "Legal Proceedings". The contribution to the ESOP increased $45,000 for the year ended December 31, 2012 when compared to the same period in 2011. The company also saw a decrease in fees paid to the FDIC of $54,350 or 24.90% for the year ended December 31, 2012 from $218,315 for the year ended December 31, 2011, as the result of a decrease in the rate used to calculate the assessment.

Income tax expense increased 19.01% to $1,604,250 at December 31, 2012 from $1,347,949 at December 31, 2011. The Company's effective tax rate was approximately 30.44% for the year ended December 31, 2012 compared to 29.71% for the year ended December 31, 2011.

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 $.72 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.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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 2012, total assets were $325,410,646 a decrease of 2.58% from year end 2011; total deposits were $291,073,843, a decrease of 3.34% from the end of the previous year.

At December 31, 2012, approximately 98.35% of the Company's assets were earning assets composed of U.S. Treasury, Government Sponsored Enterprises and Municipal Securities in the amount of $58,514,216, interest bearing deposits in other banks in the amount of $25,903,960 and total loans including mortgage loans held for sale in the amount of $235,608,502.

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.

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 an extraordinary precipitous drop in interest rates. The average net interest rate spread for 2012 increased to 3.78% from 3.72% for 2011 and the average net interest margin for 2012 increased to 3.86% from 3.83% for 2011. 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, 2012, the average maturity of the investment portfolio was 4 years 1.94 months with an average yield of 2.46% compared to 5 years 5.28 months with an average yield of 2.45% at December 31, 2011. 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, 2012:

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)	$ 152,698	$ 24,191	$ 18,033	$ 14,544	$ 26,042	$ 101	$ 235,609	$ 217,433
Investment securities (2)	-	2,046	-	285	31,528	21,163	55,022	58,514
Short term investments	25,904	-	-	-	-	-	25,904	25,904
Federal funds sold	-	-	-	-	-	-	-	-
Total	$ 178,602	$ 26,237	$ 18,033	$ 14,829	$ 57,570	$ 21,264	$ 316,535	$ 301,851
Interest Bearing Liabilities (in 000's)								
CD's and other time deposits 100,000 and over	$ -	$ 17,728	$ 8,281	$ 13,023	$ 1,658	$ 214	$ 40,904	$ 40,914
CD's and other time deposits under 100,000	148	5,202	4,555	5,187	568	249	15,909	15,920
Money market and interest bearing demand accounts	131,892	-	-	-	-	-	131,892	131,892
Savings	18,921	-	-	-	-	-	18,921	18,921
Short term borrowings	-	-	-	-	-	-	-	-
	$ 150,961	$ 22,930	$ 12,836	$ 18,210	$ 2,226	$ 463	$ 207,626	$ 207,647
Net	$ 27,641	$ 3,307	$ 5,197	$ (3,381)	$ 55,344	$ 20,801	$ 108,909	$ 94,204
Cumulative		$ 30,948	$ 36,145	$ 32,764	$ 88,108	$ 108,909		

(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, 2012:

	Payment Due by Period			
	Total	Less than 1 Year	1-5 Years	After 5 Years
Contractual Obligations (in 000's)				
Time deposits	$ 56,813	$ 54,124	$ 2,226	$ 463
Operating leases	9,790	562	2,184	7,044
Total contractual cash obligations	$ 66,603	$ 54,686	$ 4,410	$ 7,507

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, 2012, the Bank had unused short-term lines of credit totaling approximately $19 million (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 March 2012, the Company established a $6 million REPO Line with Raymond James (formally Morgan Keegan). There have been no borrowings under this agreement. 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. At December 31, 2012 the Company could borrow up to $63 million. There have been no borrowings under this arrangement.

Composition of Average Assets

	2012	2011	2010	2009	2008
Loans (1)	$ 220,780,471	$ 212,960,987	$ 212,960,118	$ 202,885,118	$ 165,905,847
Investment securities available for sale	57,982,652	52,289,136	37,410,074	37,325,137	37,210,126
Federal funds sold and other investments	32,386,509	35,378,767	7,671,018	7,886,949	15,791,080
Non-earning assets	6,288,906	7,880,828	8,020,094	9,098,096	10,080,636
Total average assets	$ 317,438,538	$ 308,509,718	$ 266,061,304	$ 257,195,300	$ 228,987,689

(1) Including mortgage loans held for sale

Average earning assets increased by $10,520,742 from 2011 to 2012. This increase was primarily due to a $7,819,484 increase in average loans, a $5,693,516 increase in average available for sale securities and a $4,585,911 increase in average other short term investments. The average balance of Federal Funds Sold decreased $7,578,169.

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:

	2012 vs. 2011			2011 vs. 2010			2010 vs. 2009		
	Volume	Rate	Net Dollar Change (1)	Volume	Rate	Net Dollar Change (1)	Volume	Rate	Net Dollar Change (1)
Loans (2)	$ 394,189	$ (248,971)	$ 145,218	$ 44	$ 194,164	$ 194,208	$ 505,801	$ 33,236	$ 539,037
Investment securities available for sale	136,421	(98,644)	37,777	471,180	(621,168)	(149,988)	3,415	(47,591)	(44,176)
Federal funds sold and and other investments	5,275	(3,015)	2,260	25,185	42,016	67,201	(471)	(157)	(628)
Interest Income	$ 535,885	$ (350,630)	$ 185,255	$ 496,409	$ (384,988)	$ 111,421	$ 508,746	$ (14,512)	$ 494,233
Interest-bearing transaction accounts	$ (11,366)	$ (35,318)	$ (46,684)	$ 44,166	$ (76,630)	$ (32,464)	$ 9,831	$ (30,786)	$ (20,955)
Savings	4,631	(3,598)	1,033	3,334	(6,984)	(3,650)	4,751	(3,251)	1,500
Time deposits	(38,143)	(238,615)	(276,758)	64,524	(307,755)	(243,231)	2,486	(247,677)	(245,191)
Federal funds purchased	-	-	-	(1,298)	(1,298)	(2,596)	116	(1,709)	(1,593)
Demand notes issued to U.S. Treasury	-	-	-	(3,211)	(3,211)	(6,422)	(6,082)	2,383	(3,699)
Interest expense	$ (44,878)	$ (277,531)	$ (322,409)	$ 107,515	$ (395,878)	$ (288,363)	$ 11,102	$ (281,040)	$ (269,938)
Increase (decrease) in net interest income			$ 507,664			$ 399,784			$ 764,171

(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

	2012			2011			2010		
	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)	$ 220,780,471	$ 11,032,927	5.00%	$ 212,960,987	$ 10,887,709	5.11%	$ 212,960,118	$ 10,693,501	5.02%
Investment securities available for sale	57,982,652	1,347,520	2.32%	52,289,136	1,309,743	2.50%	37,410,074	1,459,731	3.90%
Federal funds sold	-	3	0.00%	7,578,169	12,562	0.17%	6,845,910	12,918	0.19%
Other Investments	32,386,509	82,409	0.25%	27,800,598	67,590	0.24%	825,108	33	.00%
Total earning assets	$ 311,149,632	$ 12,462,859	4.01%	$ 300,628,890	$ 12,277,604	4.08%	$ 258,041,210	$ 12,166,183	4.71%
Interest-Bearing Liabilities:									
Interest bearing transaction accounts	$ 131,701,874	$ 128,835	0.10%	$ 141,354,076	$ 175,519	0.12%	$ 113,363,097	$ 207,983	0.18%
Savings	17,054,154	20,232	0.12%	13,436,769	19,199	0.14%	11,557,910	22,849	0.20%
Time deposits	56,816,302	306,552	0.54%	61,064,079	583,310	0.96%	56,346,883	826,541	1.47%
Federal funds purchased	-	-	0.00%	-	-	0.00%	592,260	2,596	0.44%
Demand notes issued to U.S. Treasury	-	-	0.00%	-	-	0.00%	438,165	-	0.00%
Term auction facility	-	-	0.00%	480,644	-	0.00%	1,993,151	6,421	0.32%
Total interest bearing liabilities	$ 205,572,330	$ 455,619	0.22%	$ 216,335,568	$ 778,028	0.36%	$ 184,291,466	$ 1,066,390	0.58%
Net interest spread			3.78%			3.72%			4.14%
Net interest margin			3.86%			3.83%			4.30%
Net interest income		$ 12,007,240			$ 11,499,576			$ 11,099,793	

(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, 2012, December 31, 2011, and December 31, 2010:

	DECEMBER 31, 2012			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Notes	$ 6,097,750	$ 116,000	$ -	$ 6,213,750
Government-Sponsored Enterprises	17,822,858	521,174	-	18,344,032
Municipal Securities	31,101,401	2,858,625	3,592	33,956,434
Total	$ 55,022,009	$ 3,495,799	$ 3,592	$ 58,514,216

	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 Bank's investment portfolio had a weighted average yield of 2.46%, 2.45%, and 3.46% for the years ended December 31, 2012, 2011, and 2010, respectively.

At December 31, 2012 there was one Municipal Security with an unrealized loss of $3,592 compared to three Municipal Securities with an unrealized loss of $1,117 at December 31, 2011. 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, 2012, outstanding loans (plus deferred loan fees of $60,207) totaled $217,128,624, which equaled 74.60% of total deposits and 66.72% 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 credits 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, 2012, as compared to December 31, 2011, 2010, 2009 and 2008:

	Book Value (in 000's)				
Type	2012	2011	2010	2009	2008
Commercial and industrial loans	$ 54,959	$ 55,836	$ 52,216	$ 48,719	$ 46,840
Real estate loans	157,525	152,665	149,710	158,961	127,405
Loans to individuals for household, family and other personal expenditures	4,365	4,928	5,868	6,036	5,667
All other loans (including overdrafts)	159	221	214	179	226
Total Loans (excluding unearned income)	$ 217,008	$ 213,650	$ 208,008	$ 213,895	$ 180,138

The Bank had no foreign loans or loans to fund leveraged buyouts (LBO's) during 2012, 2011, 2010, 2009, or 2008.

The following table presents the contractual terms to maturity for loans outstanding at December 31, 2012. 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	$ 31,648	$ 18,666	$ 4,645	$ 54,959
Real estate loans	57,163	57,010	43,352	157,525
Loans to individuals for household, family and other personal expenditures	1,995	2,260	110	4,365
All other loans (including overdrafts)	1	58	100	159
Total Loans (excluding unearned income)	$ 90,807	$ 77,994	$ 48,207	$ 217,008

IMPAIRED LOANS

A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement and exhibits one or more of the following characteristics:

- Non-accrual status, which includes
  - ✓ Payment in full is not expected, or
  - ✓ Ninety (90) days late, unless loan is well secured or is in collection
- Principal payments have been deferred and where the primary and secondary sources of repayment may not materialize and the return to profitability in the foreseeable future is in doubt
- Collateral dependent loans where the underlying asset pledged will not be sufficient to cover the indebtedness and no other ability to recover the debt is available
- Bankruptcy where a payment modification will result in a loss
- Excessive past due payments
- Cash flow and coverage ratios are not satisfactory
- Troubled debt restructuring

Impairment loss is measured by:

a. The present value of expected future cash flows discounted at the loan's effective interest rate, or, alternatively,
b. The fair value of the collateral if the loan is collateral dependent.

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 $11,498,279 as of December 31, 2012 compared to $7,417,892, $3,559,528, $2,502,202, and $1,802,291, as of December 31, 2011, 2010, 2009, and 2008, respectively. The impaired loans include non-accrual loans with balances at December 31, 2012, 2011, 2010, 2009, 2008, of $3,993,816, $923,671, $945,328, $627,373, and $75,486, respectively. The Bank had five restructured loans ("TDR") in the amount of $1,618,278 at December 31, 2012, two restructured loans 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. 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 ("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, grant a concession to the borrower that the Company would not otherwise consider. Three factors must always be present:

1. An existing credit must formally be renewed, extended, or modified.
2. The borrower is experiencing financial difficulties.
3. The Bank grants a concession that it would not otherwise consider.

All TDR loans must be considered for Impairment and included on the Bank's Allowance for Credit Losses.

The Bank had five TDR's in the amount of $1,618,278 at December 31, 2012, two TDR's in the amount of $491,153 at December 31, 2011, one TDR loan at December 31, 2010 of $153,015, no TDR's for the years ended December 31, 2009 or 2008, respectively.

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 ("OREO") until it is sold. When the property is acquired, it is recorded at the lesser of fair value of the property less estimated selling costs or the total loan balance. It is in the Company's best interest to determine the fair market value by engaging an independent appraisal within 30 days of property being acquired into OREO. The Company can not hold the property for a period of more than five years. The Bank will pay property taxes along with insurance expenses until the property is sold. Other real estate owned at December 31, 2010 was $659,492. The Company sold its OREO during the year ended December 31, 2011 for a loss of $63,273. The Company had no OREO at December 31, 2012 or 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 has had various modifications since 2007 to better reflect the economic environment and to implement regulatory guidance. This allowance is validated on a monthly basis by Credit Personnel (who have no lending approval authority nor complete the allowance). 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 on a quarterly basis if any of the following criteria are met:

1) Any loan on non-accrual
2) Any loan that is a troubled debt restructuring
3) Any loan over 60 days past due
4) Any loan rated sub-standard, doubtful, or loss
5) Excessive principal extensions are executed
6) If the Bank is provided information that indicates the Bank will not collect all principal and interest as scheduled

These loans are 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. This includes a pool of loans that are reviewed for impairment but are not found to be impaired. 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 .211% and .311% at December 31, 2012 and December 31, 2011, 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" within 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 and impaired loans have increased, management is confident in 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 collateral advance rate is 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 (as a percentage of capital) could result in additional regulatory 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 $34 million), the Company's list and number of over margined real estate loans currently totals approximately $15,287,601 or approximately 6.49% of its loan portfolio at the year ended December 31, 2012 compared to $16,723,105 or approximately 7.56% of the loan portfolio at December 31, 2011. This decrease is largely due to loans paying down resulting in an acceptable loan to value ratio. Additionally, the Company has focused on originating loans with acceptable loan to value ratios.

A credit rating matrix is used to rate all extensions of credit and to provide 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

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 eleven members of its lending staff. In addition to the lending staff the Company has an Advisory Board for each branch comprised of business and community leaders from the specific branch's market area. An additional Advisory Board was created during the year ended December 31, 2012, to support the Company's business efforts in the North Charleston area of South Carolina. 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. The assessment of 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 continues be 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 risks associated with the effects of changes in credit concentration include loan concentration, geographic concentration and regulatory concentration.

As of December 31, 2012, there were only four Standard Industrial Code groups that comprised more than 2% 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 fluctuate. .

Based on the evaluation described above, the Company recorded a provision for loan loss of $350,000 for the year ended December 31, 2012 compared to $480,000 for the year ended December 31, 2011. At December 31, 2012 the three year average loss ratios were: .118% Commercial, .795% Consumer, .520% 1-4 Residential, .000% Real Estate Construction and .112% Real Estate Mortgage. The three year historical loss ratio used at December 31, 2012 was .211% compared to .311% at December 31, 2011.

During the year ended December 31, 2012 charge-offs of $172,288 and recoveries of $148,248 were recorded to the allowance for loan losses, resulting in an allowance for loan losses of $3,432,844 or 1.46% of total loans at December 31, 2012, compared to charge-offs of $383,714 and recoveries of $72,010 resulting in an allowance for loan losses of $3,106,884 or 1.40% of total loans at December 31, 2011.

The Company had impaired loans totaling $11,498,279 as of December 31, 2012 compared to $7,417,892 at December 31, 2011. The impaired loans include non-accrual loans with balances at December 31, 2012, and 2011, of $3,993,816 and $923,671, respectively. The Bank had five restructured loans ("TDR") at December 31, 2012 and two restructured loans at December 31, 2011. According to GAAP, the Company is required to account for certain loan modifications or restructuring as a troubled debt restructuring, when appropriate. 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, 2012 the five restructured loans had an aggregate balance of $1,618,278 compared to the two restructured loans with an aggregate balance of $491,153 at December 31, 2011. Included in the impaired loans at December 31, 2012, is one credit totaling $2,623,556 which is entirely secured by a first mortgage, improving the Company's existing second real estate mortgage secured position and including the existing unsecured debt. 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 to 9 months, they are reviewed individually by management to determine if they should be returned to accrual status. There were no loans over 90 days past due still accruing interest at December 31, 2012 and one loan over 90 days past due still accruing interest as of December 31, 2011.

Net charge-offs for the year ended December 31, 2012, were $24,040 as compared to net charge-offs of $311,704 for the year ended December 31, 2011. 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, 2012	$	December 31, 2011
Commercial Loans	$	49,527		24,719
Commercial Real Estate		(30,506)		(274,565)
Consumer real estate		(46,487)		(61,858)
Consumer other		3,426		-
Total	$	(24,040)	$	(311,704)

The Company had $1,005,141, in unallocated reserves at December 31, 2012 related to other inherent risk in the portfolio compared to unallocated reserves of $558,267 at December 31, 2011. 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, 2012, 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 following tables present a breakdown of the allowance for loan losses as of December 31, 2012 and 2011, respectively.

		December 31, 2012		$	December 31, 2011	
		Allowance by loan type	Percentage of loans to total loans		Allowance by loan type	Percentage of loans to total loans
Commercial Loans	$	1,314,535	25%		1,586,510	26%
Commercial Real Estate		280,775	51%		420,367	52%
Consumer real estate		744,327	22%		450,338	20%
Consumer other		88,066	2%		91,402	2%
Unallocated		1,005,141	0%		558,267	0%
Total	$	3,432,844	100%	$	3,106,884	100%

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 the year ended December 31, 2012 or the year ended December 31, 2011, 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	$ -	$ 17,728	$ 8,281	$ 13,023	$ 1,872	$ -	$ 40,904
CD's and other time deposits under 100,000	$ 148	$ 5,202	$ 4,555	$ 5,187	$ 504	$ 313	$ 15,909

Certificates of Deposit $100,000 and over increased $2,265,358 or 5.86% for the year ended December 31, 2012, from $38,638,528 at December 31, 2011. This increase was not the result of special promotions or advertising.

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

At December 31, 2012, the Company had no outstanding federal funds purchased with the option to borrow $19,000,000 on short term lines of credit. In March 2012, the Company established a $6 million REPO line with Raymond James (formally Morgan Keegan). There have been no borrowings under this arrangement. The Company has also established a Borrower-In-Custody arrangement with the Federal Reserve as a secondary source of liquidity. This arrangement permits the Company to retain possession of loans pledged as collateral to secure advances from the Federal Reserve Discount Window. Under this agreement the Company may borrow up to $62.6 million. There have been no borrowings under this arrangement.

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, 2012 and 2011 the balance of this reserve was $20,825. At December 31, 2012 and 2011, 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 $51,144,731 and $47,629,822 at December 31, 2012 and 2011 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, generally drafts will 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, 2012 and 2011 was $749,712 and $875,679, 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, 2012 or December 31, 2011. The Company had forward sales commitments, totaling $18,479,878 at December 31, 2012, to sell loans held for sale of $18,479,878. At December 31, 2011, the Company had forward sales commitments of $7,578,587. The fair value of these commitments was not significant at December 31, 2012 or 2011. 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 $36,105,000 at December 31, 2012 and $28,596,000 at December 31, 2011. For the year ended December 31, 2012 and December 31, 2011 there were no loans repurchased.

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, 2012, of $33,930,442. The rate of asset growth since the Bank's inception has not negatively impacted this capital base. The current 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 current guidelines established require a minimum risk-based capital ratio of 8% for bank holding companies and banks. The risk-based capital ratio at December 31, 2012, for the Bank was 13.64% and 13.41% at December 31, 2011. 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.

On June 23, 2011 the Board of Directors voted to file a shelf registration (Form S-3) with the SEC (Securities and Exchange Commission). This shelf registration statement on Form S-3 provides for the offer and sale from time to time over a three year period, in one or more public offerings, up to $10 million in common stock or debt securities. Specific terms and prices will be determined at the time of each offering under a separate prospectus supplement, which will be filed with the SEC at the time of the offering. The registration statement was filed with the SEC on June 23, 2011. The filing of the shelf registration does not require the Company to issue securities. Although the Company has no current commitments to sell additional stock or securities, the shelf registration will provide the Company with a source of additional capital for acquisitions, capital expenditures, repayment of indebtedness the Company may incur in the future, working capital and other general corporate purposes.

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 current 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.

Current 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, 2012, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

At December 31, 2012 and 2011, 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.

In June 2012, U.S. banking regulators issued the Basel III Notice of Proposed Rulemaking (NPR) to implement the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and changes required by the Financial Reform Act. The Basel III NPR proposes material changes to the deduction of certain assets from capital, new minimum capital ratios and buffer requirements, a Standardized Approach that provides a floor to the calculation of risk-weighted assets, and significant changes to the calculation of credit and counterparty credit risk.

The Basel III NPR addressing standardized risk-weighting of assets would significantly change the risk-weighting of certain assets for almost all U.S. financial institutions beginning in 2015. To what extent the NPR will be adopted as proposed is not known; however, management estimates that the Company would remain a well-capitalized institution under its interpretation of the proposed increased capital requirements and risk-weighted asset revisions if the proposals had been fully in effect as of December 31, 2012.

Many of the changes to capital deductions are subject to a transition period where the impact is recognized in 20% increments beginning on January 1, 2014 through January 1, 2018. The majority of the other aspects of the Basel III NPR were proposed to become effective on January 1, 2013. However, this effective date was postponed in November 2012. The delay is expected to be a six month time period. The phase-in period for the new minimum capital requirements and related buffers is proposed to occur between 2013 and 2019.

Preparing for the implementation of the new capital rules is a top strategic priority, and management expects to comply with the final rules when issued and effective. In the meantime, management intends to continue to build capital through retained earnings, actively managing the Company's portfolios and implementing other capital related initiatives, including focusing on reducing both higher risk-weighted assets and assets proposed to be deducted from capital under the Basel III NPR.

Please see "Notes to Consolidated Financial Statements" for the Company's and the Bank's various capital ratios at December 31, 2012.

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, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. 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 audits 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

Elliott Davis, LLC

Charleston, South Carolina
March 4, 2013

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

		DECEMBER 31,		
		2012		2011
ASSETS				
Cash and due from banks	$	5,137,888	$	4,559,194
Interest bearing deposits in other banks		25,903,960		47,504,282
Investment securities available for sale (amortized cost of $55,022,009 and $56,355,810 in 2012 and 2011, respectively)		58,514,216		59,552,160
Mortgage loans to be sold		18,479,878		7,578,587
Loans		217,128,624		213,709,112
Less: Allowance for loans losses		(3,432,844)		(3,106,884)
Net loans		213,695,780		210,602,228
Premises, equipment and leasehold improvements, net		2,486,792		2,611,965
Accrued interest receivable		1,124,613		1,147,216
Other assets		67,519		473,137
Total assets	$	325,410,646	$	334,028,769
LIABILITIES AND SHAREHOLDER'S EQUITY				
Liabilities				
Deposits:				
Non-interest bearing demand		83,447,675		70,217,614
Interest bearing demand		77,441,588		64,350,891
Money market accounts		54,450,828		96,292,414
Certificates of deposit $100,000 and over		40,903,886		38,638,528
Other time deposits		15,909,164		17,416,840
Other savings deposits		18,920,702		14,211,228
Total deposits		291,073,843		301,127,515
Accrued interest payable and other liabilities		406,361		907,385
Total liabilities		291,480,204		302,034,900
Commitments and contingencies Notes 1 and 8				
Shareholders' equity				
Common stock-no par 12,000,000 shares authorized; Issued 4,665,690 shares at December 31, 2012 and 4,664,391 at December 31, 2011; Shares outstanding 4,446,239 at December 31, 2012 and 4,444,940 at December 31, 2011		-		-
Additional paid in capital		28,474,951		28,390,929
Retained earnings		5,157,839		3,491,678
Treasury stock; 219,451 shares at December 31, 2012 and 2011		(1,902,439)		(1,902,439)
Accumulated other comprehensive income, net of income taxes		2,200,091		2,013,701
Total shareholders' equity		33,930,442		31,993,869
Total liabilities and shareholders' equity	$	325,410,646	$	334,028,769

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31, 2012	2011	2010
Interest and fee income			
Interest and fees on loans	$ 11,032,927	$ 10,887,709	$ 10,693,501
Interest and dividends on investment securities	1,347,520	1,309,743	1,459,731
Other interest income	82,412	80,152	12,951
Total interest and fee income	12,462,859	12,277,604	12,166,183
Interest expense			
Interest on deposits	455,619	778,028	1,057,373
Interest on short-term borrowings	-	-	9,018
Total interest expense	455,619	778,028	1,066,391
Net interest income	12,007,240	11,499,576	11,099,792
Provision for loan losses	350,000	480,000	670,000
Net interest income after provision for loan losses	11,657,240	11,019,576	10,429,792
Other income			
Service charges, fees and commissions	926,050	946,518	1,030,218
Mortgage banking income	1,377,888	674,705	1,004,324
Other non-interest income	41,525	32,062	29,155
Gain on sale of securities	-	124,672	-
Total other income	2,345,463	1,777,957	2,063,697
Other expense			
Salaries and employee benefits	5,045,413	4,742,772	4,568,095
Net occupancy expense	1,356,845	1,340,227	1,316,986
Loss on other real estate owned	-	63,273	13,347
Other operating expenses	2,329,367	2,113,994	2,100,117
Total other expenses	8,731,625	8,260,266	7,998,545
Income before income tax expense	5,271,078	4,537,267	4,494,944
Income tax expense	1,604,250	1,347,949	1,384,431
Net income	$ 3,666,828	$ 3,189,318	$ 3,110,513
Weighted average shares outstanding			
Basic	4,445,738	4,439,887	4,416,065
Diluted	4,445,738	4,439,887	4,416,065
Basic income per common share	$ 0.82	$ 0.72	$ 0.70
Diluted income per common share	$ 0.82	$ 0.72	$ 0.70

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31,						
		2012		2011		2010
Net income	$	3,666,828	$	3,189,318	$	3,110,513
Other comprehensive income (loss), net of tax:						
Unrealized gain (losses) on securities		186,390		1,841,789		(529,810)
Reclassification adjustment for gains included in income		-		(78,543)		-
Other comprehensive income (loss), net of tax		186,390		1,763,246		(529,810)
Total comprehensive income	$	3,853,218	$	4,952,564	$	2,580,703

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012, 2011, 2010

	COMMON STOCK	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
December 31, 2009	$	$ 23,511,560	$ 4,968,336	$ (1,692,964)	$ 780,265	$ 27,567,197
Net income	-	-	3,110,513	-	-	3,110,513
Other Comprehensive income	-	-	-	-	(529,810)	(529,810)
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
Net income	-	-	3,189,318	-	-	3,189,318
Other Comprehensive income	-	-	-	-	1,763,246	1,763,246
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
Net income	-	-	3,666,828	-	-	3,666,828
Other Comprehensive income	-	-	-	-	186,390	186,390
Exercise of Stock Options	-	11,094	-	-	-	11,094
Stock-based compensation expense	-	72,928	-	-	-	72,928
Cash dividends ($0.45 per common share)	-	-	(2,000,667)	-	-	(2,000,667)
December 31, 2012	$ -	$ 28,474,951	$ 5,157,839	$ (1,902,439)	$ 2,200,091	$ 33,930,442

See accompanying notes to consolidated financial statements.

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

	YEARS ENDED DECEMBER 31,		
Cash flows from operating activities:	2012	2011	2010
Net income	$ 3,666,828	$ 3,189,318	$ 3,110,513
Adjustments to reconcile net income to net cash (used) provided by operating activities:			
Depreciation	206,603	209,316	231,922
Gain on sale of securities	-	(124,672)	-
Loss on sale of other real estate	-	63,273	13,347
Provision for loan losses	350,000	480,000	670,000
Stock-based compensation expense	72,928	64,587	50,721
Deferred income taxes	(169,207)	(76,848)	30,388
Net (accretion) and amortization of unearned discounts on investment securities	390,543	(243,994)	28,915
Origination of mortgage loans held for sale	(108,699,648)	(60,049,882)	(83,127,187)
Proceeds from sale of mortgage loans held for sale	97,798,357	58,379,611	80,652,331
Decrease (increase) in accrued interest receivable and other assets	487,961	528,446	(1,258,208)
(Decrease) increase in accrued interest payable and other liabilities	(12,081)	(179,471)	94,785
Net cash (used) provided by operating activities	(5,907,716)	2,239,684	497,527
Cash flows from investing activities:			
Proceeds from calls and maturities of investment securities available for sale	3,745,000	9,605,000	6,420,000
Purchase of investment securities available for sale	(2,801,741)	(45,238,691)	(9,807,151)
Net decrease (increase) in loans	(3,443,553)	(5,995,152)	5,839,873
Loss on disposal of fixed assets	1,628	-	-
Purchase of premises, equipment and leasehold improvements, net	(83,058)	(384,755)	(152,259)
Proceeds from sale of other real estate	-	596,157	169,993
Proceeds from sale of available for sale securities	-	18,140,625	-
Net cash (used) provided by investing activities	(2,581,724)	(23,276,816)	2,470,456
Cash flows from financing activities:			
Net (decrease) increase in deposit accounts	(10,053,672)	50,690,540	20,599,295
Net decrease in short-term borrowings	-	(767,497)	(7,239,256)
Dividends paid	(2,489,610)	(1,376,623)	(1,688,084)
Cash paid for fractional shares	-	-	(2,466)
Stock options exercised	11,094	123,403	210,811
Net cash (used) provided by financing activities	(12,532,188)	48,669,823	11,880,300
Net increase (decrease) in cash and cash equivalents	(21,021,628)	27,632,691	14,848,283
Cash and cash equivalents at beginning of year	52,063,476	24,430,785	9,582,502
Cash and cash equivalents at end of year	$ 31,041,848	$ 52,063,476	$ 24,430,785
Supplemental disclosure of cash flow data:			
Cash paid during the year for:			
Interest	$ 534,773	$ 899,219	$ 1,126,930
Income taxes	$ 1,717,751	$ 1,510,641	$ 1,238,877
Supplemental disclosure for non-cash investing and financing activity:			
Change in unrealized gain (loss) on securities available for sale, net of income taxes	$ 186,390	$ 1,763,246	$ (529,810)
Real estate acquired through foreclosure	$ -	$ -	$ 741,470
Change in dividends payable	$ (488,944)	$ 488,944	$ -

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.

Accounting Estimates and Assumptions:
The preparation of the financial statements are in conformity with accounting principles generally accepted in the United States of America (GAAP), which requires management to make estimates and assumptions. These estimate and assumptions affect the reported amounts of assets and liabilities and the 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 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.

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 Company offers a broad range of financial services through its wholly-owned subsidiary The Bank of South Carolina. The Bank's original and current concept is to be a full service financial institution specializing in personal service, responsiveness, and attention to detail to foster long standing relationships.

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.

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 2012 and 2011. 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, 2012 and 2011, the Company had approximately $18.5 million and $7.6 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 and variable rate residential mortgage loans on a servicing released basis in the secondary market. Loans closed but not yet settled with an investor are carried in the Company's loans held for sale portfolio.

These loans are fixed and variable rate residential mortgage 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 to 60 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 and the amortization of net loan fees are generally discontinued on loans which 1) are maintained on a cash basis because of deterioration in the financial condition of the borrower; 2) for which payment in full of principal is not expected; or 3) upon which principal or interest has been in default for a period of 90 days or more. The accrual of interest however, may continue on these loans if they 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 by requiring that loan origination fees be recognized over the life of 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.

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 the Company 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 interest income and then to principal.

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, 2012, 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 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. The Company had no other real estate owned at December 31, 2012 or 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.

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. The Company believes that it had no uncertain tax positions for the year ended December 31, 2012 or for the year ended December 31, 2011.

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 June 28, 2012 the Executive Committee granted options to purchase an aggregate of 9,000 shares to five employees. Fair value was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield 3.97%, historical volatility 33.94%, with an expected life of ten years, and a risk free interest rate of 1.60%. In addition, the Board of Director's granted options to purchase 2,500 shares to one employee on September 24, 2012. Fair value was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield 3.97%, historical volatility 33.94%, with an expected life of ten years, and a risk free interest rate of 1.74%.

On March 24, 2011, the Executive Committee granted options to purchase 5,000 shares of stock to one employee. The Executive Committee also granted options to purchase 96,000 shares to twenty-two employees 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 March 24, and June 23, 2011 grant: dividend yield 4.02%, historical volatility 54.43% with an expected life of ten years. The risk free interest rate was 3.42%, and 2.93% for March 24, and June 23, 2011, respectively.

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 statement of comprehensive income.

Fair Value Measurements: The Company applies the accounting standards which define fair value, establish a framework for measuring fair value, and expand disclosures about fair value. The standards define 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 assets or liability in an orderly transaction between market participants on the measurement date. The standards also establish 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 input 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 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). Fair value estimates, methods, and assumptions are set forth below.

<u>Investment Securities Available for Sale</u>

Securities available for sale are recorded at fair value on a recurring basis and are 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, or by dealers or brokers in active over-the counter markets. 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.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2012 and December 31, 2011 are as follows:

		Balance at December 31, 2012						
		Quoted Market Price in active markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		
US Treasury Notes	$	6,213,750	$	-	$	-	$	6,213,750
Government Sponsored Enterprises	$	-	$	18,344,032	$	-	$	18,344,032
Municipal Securities	$	-	$	33,956,434	$	-	$	33,956,434
Total	$	6,213,750	$	52,300,466	$	-	$	58,514,216

		Balance at December 31, 2011						
		Quoted Market Price in active markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		
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
Total	$	6,310,782	$	53,241,378	$	-	$	59,552,160

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 are reviewed for impairment on a quarterly basis if any of the following criteria are met:

1) Any loan on non-accrual
2) Any loan that is a troubled debt restructuring
3) Any loan over 60 days past due
4) Any loan rated sub-standard, doubtful, or loss
5) Excessive principal extensions are executed
6) If the Bank is provided information that indicates the Bank will not collect all principal and interest as scheduled

Once a loan is identified as individually impaired, management measures the 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 to 18 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 considering recent current conditions, and known recent sales or listings of similar properties in the area, and any other relevant economic trends. This analysis may result in the call for a new appraisal. These valuations are reviewed 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, 2012 and December 31, 2011, 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. The Company records the impaired loan as nonrecurring Level 3.

Mortgage Loans Held for Sale

The Company originates fixed and variable rate residential mortgage loans on a servicing released basis in the secondary market. Loans closed but not yet settled with an investor are carried in the Company's loans held for sale portfolio. These loans are fixed and variable rate residential mortgage 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 to 60 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. These loans are classified as Level 2.

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, 2012, and 2011, for which a nonrecurring change in fair value has been recorded during the twelve months ended December 31, 2012, and 2011.

December 31, 2012								
		Quoted Market Price in active markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total
Impaired loans	$	-	$	-	$	9,499,621	$	9,499,621
Mortgage loans held for sale		-		18,479,878		-		18,479,878
Total	$	-	$	18,479,878	$	9,499,621	$	27,979,499

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
Mortgage loans held for sale		-		7,578,587		-		7,578,587
Total	$	-	$	7,578,587	$	5,553,481	$	13,132,068

		Inputs	
	Valuation Technique	Unobservable Input	General Range of Inputs
Nonrecurring measurements:			
Impaired Loans	Discounted Appraisals	Collateral Discounts	0 – 25%

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

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

c. Loans
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, 2012 and December 31, 2011, 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.

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments as of December 31, 2012 and December 31, 2011. This table excludes financial instruments for which the carrying amount approximates fair value. For short-term financial assets such as cash and cash equivalents, the carrying amount is a reasonable estimate of fair value due to the relatively short time between the origination of the instrument and its expected realization.

December 31, 2012										
Fair Value Measurement										
		Carrying Amount		Fair Value		Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Financial Instruments- Assets										
Loans	$	217,128,624	$	217,432,537	$	-	$	-	$	217,432,537
Financial Instruments- Liabilities										
Deposits	$	291,073,843	$	291,094,742	$	-	$	291,094,742	$	-

December 31, 2011										
Fair Value Measurement										
		Carrying Amount		Fair Value		Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Financial Instruments-Assets										
Loans	$	213,709,112	$	214,294,224	$	-	$	-	$	214,294,224
Financial Instruments-Liabilities										
Deposits	$	301,127,515	$	301,830,957	$	-	$	301,830,957	$	-

		December 31, 2012		
		Notional Amount		**Fair Value**
Off-Balance Sheet Financial				
Instruments:				
Commitments to extend credit	$	51,444,731	$	-
Standby letters of credit		749,712		-

		December 31, 2011		
		Notional Amount		**Fair Value**
Off-Balance Sheet Financial				
Instruments:				
Commitments to extend credit	$	47,629,822	$	-
Standby letters of credit		875,679		-

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 were immaterial as of December 31, 2012 and 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, 2012 and 2011.

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 April 2011 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-02 to assist creditors with their determination of when a restructuring is a Troubled Debt Restructuring ("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. The new guidance was effective for the Company beginning January 1, 2012 and did not have a material impact on the Company's TDR determinations.

In April 2011, the criteria used to determine effective control of transferred assets in the Transfers and Servicing topic of the Accounting Standards Codification ("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 were effective for the Company beginning January 1, 2012 and had no 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 were effective for the Company beginning January 1, 2012 and had no 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 were applicable to the Company on January 1, 2012 and have been 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 finalizes its conclusions regarding future requirements.

The FASB amended the Comprehensive income topic of the ASC in February 2013. The amendments address reporting of amounts reclassified out of accumulated other comprehensive income. Specifically, the amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the amendments do require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, in certain circumstances an entity is required to present, either on the face of the statement where net income is presented in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The amendments will be effective for the Company on a prospective basis for reporting periods beginning after December 15, 2012. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

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.

2. INVESTMENT SECURITIES AVAILABLE FOR SALE

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

	DECEMBER 31, 2012			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Notes	$ 6,097,750	$ 116,000	$ -	$ 6,213,750
Government-Sponsored Enterprises	17,822,858	521,174	-	18,344,032
Municipal Securities	31,101,401	2,858,625	3,592	33,956,434
Total	$ 55,022,009	$ 3,495,799	$ 3,592	$ 58,514,216

	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

The amortized cost and estimated fair value of investment securities available for sale at December 31, 2012, by contractual maturity are as follows:

DECEMBER 31, 2012		
	AMORTIZED COST	ESTIMATED FAIR VALUE
Due in one year or less	$ 2,331,067	$ 2,336,933
Due in one year to five years	32,183,058	33,321,740
Due in five years to ten years	11,407,945	12,718,115
Due in ten years and over	9,099,939	10,137,428
Total	$ 55,022,009	$ 58,514,216

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 or December 31, 2012.

Investment securities with an aggregate amortized cost of $45,581,560 and estimated fair value of $48,867,683 at December 31, 2012, were pledged to secure deposits and other balances, as required or permitted by law.

At December 31, 2012 there was one Municipal Security with an unrealized loss of $3,592 compared to three Municipal Securities with an unrealized loss of $1,117 at December 31, 2011. 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 than the amortized cost of the investment. Therefore, these investments are not considered other-than-temporarily impaired. The Company has the ability to hold these investments until market price recovery or maturity. 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, 2012 and December 31, 2011 are as follows:

DECMBER 31, 2012						
	Less than 12 months		12 months or longer		Total	
Descriptions of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Municipal Securities	1,973,303	3,592	-	-	1,973,303	3,592

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
Municipal Securities	243,884	1,117	-	-	243,884	1,117

3. LOANS

Major classifications of loans are as follows:

	DECEMBER 31, 2012	DECEMBER 31, 2011
Commercial loans	$ 54,664,286	$ 55,565,525
Commercial Real Estate:		
Commercial real estate construction	2,276,532	3,564,327
Commercial real estate other	108,575,415	106,408,621
Consumer:		
Consumer real estate	46,703,454	43,185,861
Consumer other	4,908,937	4,984,778
	217,128,624	213,709,112
Allowance for loan losses	(3,432,844)	(3,106,884)
Loans, net	$ 213,695,780	$ 210,602,228

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

	YEARS ENDED DECEMBER 31,		
	2012	**2011**	**2010**
Balance at beginning of year	$ 3,106,884	$ 2,938,588	$ 3,026,997
Provision for loan losses	350,000	480,000	670,000
Charge offs	(172,288)	(383,714)	(778,820)
Recoveries	148,248	72,010	20,411
Balance at end of year	$ 3,432,844	$ 3,106,884	$ 2,938,588

The Bank had impaired loans totaling $11,498,279 as of December 31, 2012 compared to $7,417,892 at December 31, 2011. The impaired loans include non-accrual loans with balances at December 31, 2012 and 2011 of $3,993,816 and $923,671, respectively. The Bank had five restructured loans ("TDR") at December 31, 2012, and two restructured loans at December 31, 2011. 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, 2012 and 2011 troubled debt restructurings had an aggregate balance of $1,618,278 and $491,153, respectively.

There were no loans over 90 days past due and still accruing interest at December 31, 2012. There was one loan at December 31, 2011, that was over 90 days past due and still accruing interest.

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 following is a summary of the non-accrual loans as of December 31, 2012 and December 31, 2011.

Loans Receivable on Non-Accrual		
December 31, 2012		
Commercial	$	4,085
Commercial Real Estate:		
Commercial Real Estate - Construction		-
Commercial Real Estate - Other		3,921,750
Consumer:		
Consumer - Real Estate		67,981
Consumer - Other		-
Total	$	3,993,816

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

The following is a schedule of the Bank's delinquent loans, excluding mortgage loans held for sale, as of December 31, 2012 and December 31, 2011.

December 31, 2012								
		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	$	104,766	-	-	104,766	54,559,520	54,664,286	-
Commercial Real Estate:								
Commercial Real Estate - Construction		-	-	-	-	2,276,532	2,276,532	-
Commercial Real Estate - Other		93,487	336,315	3,074,397	3,504,199	105,071,216	108,575,415	-
Consumer:								
Consumer Real Estate		-	-	-	-	46,703,454	46,703,454	-
Consumer-Other		6,549	-	985	7,534	4,901,403	4,908,937	-
Total	$	204,802	336,315	3,075,382	3,616,499	213,512,125	217,128,624	-

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

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 (38.4%), Offices and Clinics of Medical Doctors (5.53%), Real Estate Agents and Managers (3.78%), Legal services (3.20%), and Offices of Dentists (1.46%). Management is satisfied with these levels of concentrations.

As of December 31, 2012 and 2011, loans individually evaluated and considered impaired are presented in the following table:

Impaired and Restructured Loans For the Year Ended December 31, 2012					
With no related allowance recorded:	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
Commercial	$ 296,350	$ 140,575	$ -	$ 150,913	$ 51,151
Commercial Real Estate	8,733,779	5,578,231	-	6,499,933	2,019,907
Consumer Real Estate	319,536	311,543	-	315,763	61,381
Consumer Other	-	-	-	-	-
Total	$ 9,349,665	$ 6,030,349	$ -	$ 6,966,609	$ 2,132,439
With an allowance recorded:					
Commercial	$ 1,360,535	$ 1,251,462	$ 1,251,462	$ 1,287,204	$ 168,739
Commercial Real Estate	3,355,954	3,287,773	169,243	3,295,385	363,187
Consumer Real Estate	882,750	879,252	528,510	879,391	344,262
Consumer Other	50,000	49,443	49,443	49,570	6,009
Total	$ 5,649,239	$ 5,467,930	$ 1,998,658	$ 5,511,550	$ 882,197
Grand Total	$ 14,998,904	$ 11,498,279	$ 1,998,658	$ 12,478,159	$ 3,014,636

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		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 Construction		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		-
Total	$	2,902,235	$	2,776,193	$	1,864,411	$	2,802,567	$	102,051
Grand Total	$	7,594,941	$	7,417,892	$	1,864,411	$	7,428,013	$	214,008

The following table illustrates credit risks by category and internally assigned grades at December 31, 2012 and December 31, 2011.

December 31, 2012												
		Commercial		Commercial Real Estate Construction		Commercial Real Estate Other		Consumer – Real Estate		Consumer – Other		Total
Pass	$	47,803,837	$	1,806,765	$	94,779,321	$	41,738,572	$	4,197,256	$	190,325,751
Watch		4,551,804		-		2,554,099		2,971,631		344,583		10,422,117
OAEM		561,563		469,767		4,957,130		650,412		205,638		6,844,510
Sub-Standard		1,747,082		-		6,284,865		1,342,839		161,460		9,536,246
Doubtful		-		-		-		-		-		-
Loss		-		-		-		-		-		-
Total	$	54,664,286	$	2,276,532	$	108,575,415	$	46,703,454	$	4,908,937	$	217,128,624

December 31, 2011												
		Commercial		Commercial Real Estate Construction		Commercial Real Estate Other		Consumer – Real Estate		Consumer – Other		Total
Pass	$	48,160,256	$	3,088,190	$	93,889,871	$	38,551,256	$	4,390,391	$	188,079,964
Watch		4,000,123		476,137		4,581,885		3,312,679		214,617		12,585,441
OAEM		2,071,137		-		1,905,745		212,545		311,905		4,501,332
Sub-Standard		1,334,009		-		6,031,120		1,109,381		67,865		8,542,375
Doubtful		-		-		-		-		-		-
Loss		-		-		-		-		-		-
Total	$	55,565,525	$	3,564,327	$	106,408,621	$	43,185,861	$	4,984,778	$	213,709,112

The following table sets forth the changes in the allowance and an allocation of the allowance by loan category at December 31, 2012 and December 31, 2011. 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, 2012												
		Commercial		Commercial Real Estate		Consumer Real Estate		Consumer Other		Unallocated		Total
Allowance for Loan Losses												
Beginning Balance	$	1,586,510	$	420,367	$	450,338	$	91,402	$	558,267	$	3,106,884
Charge-offs		(60,042)		(43,734)		(56,487)		(12,025)		-		(172,288)
Recoveries		109,569		13,228		10,000		15,451		-		148,248
Provisions		(321,502)		(109,086)		340,476		(6,762)		446,874		350,000
Ending Balance		1,314,535		280,775		744,327		88,066		1,005,141		3,432,844
Ending Balances:												
Individually evaluated for impairment		1,392,037		8,866,004		1,190,795		49,443		-		11,498,279
Collectively evaluated for impairment	$	53,272,249	$	101,985,943	$	45,512,659	$	4,859,494	$	-	$	205,630,345

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	$	218,897	$	27,200	$	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		231,441		126,060		(503,592)		480,000
Ending Balance		1,586,510		420,367		450,338		91,402		558,267		3,106,884
Ending Balances:												
Individually evaluated for impairment		1,285,480		4,947,403		1,135,267		49,742		-		7,417,892
Collectively evaluated for impairment	$	54,280,045	$	105,025,545	$	42,050,594	$	4,935,036	$	-	$	206,291,220

Restructured loans (loans, still accruing interest, which have been renegotiated at below-market interest rates or for which other concessions have been granted) were $1,618,278 and $491,153 at December 31, 2012 and December 31, 2011, respectively, and are illustrated in the following table. This amount at December 31, 2012 includes the two restructured loans identified at December 31, 2011, with an outstanding balance of $486,804, and three additional loans that totaled $1,101,474. December 31, 2012 and December 31, 2011 all restructured loans were performing as agreed. There was one restructured loan at December 31, 2010 in the amount of $153,015 that failed to continue to perform as agreed upon and, as a result, the loan was charged off in March 2011.

Modification As of December 31, 2012						
		Number of Contracts		Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings						
Commercial		1	$	134,814	$	134,814
Commercial Real Estate		3	$	1,371,983	$	1,371,983
Commercial Real Estate Construction			$		$	
Consumer Real Estate-Prime		1	$	111,481	$	111,481
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		-	$	-	$	-

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	$	153,830	$	153,830
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		-	$	-	$	-

4. PREMISES, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Premises, equipment and leasehold improvements are summarized as follows:

	2012	2011
Bank buildings	$ 1,817,008	$ 1,813,277
Land	838,075	838,075
Leasehold purchase	30,000	30,000
Lease improvements	675,784	662,054
Equipment	2,709,406	3,096,152
	6,070,273	6,439,558
Accumulated depreciation	(3,583,481)	(3,827,593)
Total	$ 2,486,792	$ 2,611,965

Depreciation and amortization of bank premises and equipment charged to operating expense totaled $206,603 in 2012, $209,316 in 2011, and $231,922 in 2010.

5. DEPOSITS

At December 31, 2012, 2011, and 2010 certificates of deposit of $100,000 or more totaled approximately $40,903,886, $38,638,528, and $45,523,280 respectively. Interest expense on these deposits was $200,415 in 2012, $377,839 in 2011, and $540,048 in 2010.

At December 31, 2012, the schedule maturities of certificates of deposit are as follows:

2013	$	54,124,046
2014		2,051,136
2015		110,396
2016		64,149
2017 and thereafter		463,323
	$	56,813,050

At December 31, 2012, deposits with a deficit balance of $541,015 were re-classified as other loans, compared to $55,374 at December 31, 2011.

6. SHORT-TERM BORROWINGS

At December 31, 2012 and 2011, the Company had no outstanding federal funds purchased. In March 2012, the Company established a $6 million REPO Line with Raymond James (formally Morgan Keegan). There have been no borrowings under this arrangement. In addition the Company established a Borrower-In-Custody arrangement with the Federal Reserve. This arrangement permits the Company to retain possession of loans pledged as collateral to secure advances from the Federal Reserve Discount Window. Under this agreement the Company may borrow up to $62,567,407. The Company established this arrangement as an additional source of liquidity. There have been no borrowings under this arrangement.

At December 31, 2012 and 2011, the Bank had unused short-term lines of credit totaling approximately $19,000,000 and $21,000,000, respectively (which are withdrawable at the lender's option).

7. INCOME TAXES

Total income taxes for the years ended December 31, 2012, 2011 and 2010 are as follows

	YEARS ENDED DECEMBER 31, 2012	2011	2010
Income tax expense	$ 1,604,250	$ 1,347,949	$ 1,384,431
Unrealized gains (losses) on securities available for sale presented in accumulated other comprehensive income	109,467	1,035,557	(311,158)
Total	$ 1,713,717	$ 2,383,506	$ 1,073,273

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

YEAR ENDED DECEMBER 31, 2012	**Current**	**Deferred**	**Total**
U.S. Federal	$ 1,619,265	$ (183,607)	$ 1,435,658
State and local	168,592	-	168,592
	$ 1,787,857	$ (183,607)	$ 1,604,250

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

Income tax expense attributable to income before income tax expense was $1,604,250, $1,347,949, and $1,384,431 for the years ended December 31, 2012, 2011 and 2010, 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,	
	2012	**2011**	**2010**
Computed "expected" tax expense	$ 1,792,167	$ 1,542,671	$ 1,532,200
Increase (reduction) in income taxes Resulting from:			
Tax exempt interest income	(338,592)	(317,802)	(270,759)
State income tax, net of federal benefit	111,271	92,569	91,637
Other, net	39,404	30,511	31,353
	$ 1,604,250	$ 1,347,949	$ 1,384,431

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2012 and 2011 are presented below:

	DECEMBER 31, 2012	DECEMBER 31, 2011
Deferred tax assets:		
State Net Operating Loss Carryforward	$ 32,307	$ 26,101
Allowance for loan losses	1,098,416	987,589
Other	88,991	38,550
Total gross deferred tax assets	1,219,714	1,052,240
Less valuation allowance	(32,307)	(26,101)
Net deferred tax assets	1,187,407	1,026,139
Deferred tax liabilities:		
Prepaid expenses	(19,100)	(25,071)
Unrealized gain on securities available for sale	(1,292,117)	(1,182,650)
Deferred loan fees	(20,470)	(20,115)
Fixed assets, principally due to differences in depreciation	(48,414)	(65,137)
Other Bond Accretion	(27,750)	(27,750)
Total gross deferred tax liabilities	(1,407,851)	(1,320,723)
Net deferred tax liability	$ (220,444)	$ (294,584)

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 $32,307 valuation allowance for deferred tax assets at December 31, 2012 and $26,101 at December 31, 2011 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, 2012. 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 2009 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 2039. 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 lease agreements. Lease payments below include the lease renewals. Minimum rental commitments for these leases as of December 31, 2012 are as follows:

2013	$	562,497
2014		541,346
2015		539,382
2016		543,654
2017		559,364
2018 and thereafter		7,044,010
Total	$	9,790,253

Total rental expense was $531,094, $526,128 and $498,832 in 2012, 2011 and 2010, 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 $51,144,731 and $47,629,822 at December 31, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011 was $749,712 and $875,679, 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 sale commitments are freestanding derivative instruments. The fair value of these commitments was not significant at December 31, 2012 and 2011. The Company has forward sales commitments, totaling $18.5 million at December 31, 2012 to sell loans held for sale of $18.5 million. 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, 2012. 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, 2012, 2011 and 2010. Related party loans are summarized as follows:

	DECEMBER 31,			
		2012		2011
Balance at beginning of year	$	9,764,763	$	7,618,873
New loans or advances		4,241,967		5,364,207
Repayments		(3,622,225)		(3,218,317)
Balance at end of year	$	10,384,505	$	9,764,763

At December 31, 2012 and 2011 total deposits held by related parties were $4,567,509 and $6,611,683, respectively.

10. OTHER EXPENSE

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

	YEARS ENDED DECEMBER 31,		
	2012	2011	2010
Advertising and business	$ 21,422	$ 17,633	$ 10,658
Supplies	118,881	96,654	111,428
Telephone and postage	177,899	169,560	166,376
Insurance	34,575	44,207	43,594
Professional fees	504,888	465,533	431,990
Data processing services	559,867	446,625	351,101
State and FDIC insurance and fees	196,263	249,605	363,339
Courier service	159,943	189,247	179,407
Other	555,629	434,930	442,224
	$ 2,329,367	$ 2,113,994	$ 2,100,117

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 June 28, 2012 the Executive Committee granted options to purchase an aggregate of 9,000 shares to five employees. Fair value was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield 3.97%, historical volatility 33.94%, with an expected life of ten years, and a risk free interest rate of 1.60%. In addition, the Board of Director's granted options to purchase 2,500 shares to one employee on September 24, 2012. Fair value was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield 3.97%, historical volatility 33.94%, with an expected life of ten years, and a risk free interest rate of 1.74%.

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, 2012, 2011, and 2010 follows:

	2012			**2011**			2010		
	Shares		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price
Outstanding, January 1	168,266	$	11.23	88,831	$	11.51	86,995	$	10.61
Granted	11,500		11.30	101,000		10.48	33,000		10.77
Expired	(4,000)		13.75	(6,491)		10.47	(1,581)		9.60
Exercised	(1,299)		8.54	(15,074)		8.19	(29,583)		8.13
Outstanding, December 31	174,467	$	11.20	168,266	$	11.23	88,831	$	11.51

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	7,292	0.4	$	8.54	$	15,969	7,292	$	8.54	$	15,969
$ 15.11	16,225	3.4	$	15.11	$	-	6,490	$	15.11	$	-
$ 14.54	5,500	4.0	$	14.54	$	-	1,100	$	14.54	$	-
$ 14.10	5,500	4.5	$	14.10	$	-	1,100	$	14.10	$	-
$ 12.90	2,200	5.2	$	12.90	$	-	-	$	-	$	-
$ 10.77	25,250	7.7	$	10.77	$	-	-	$	-	$	-
$ 11.67	5,000	8.2	$	11.67	$	-	-	$	-	$	-
$ 10.42	96,000	8.5	$	10.42	$	-	-	$	-	$	-
$ 11.11	9,000	9.6	$	11.11	$	-	-	$	-	$	-
$ 12.00	2,500	9.9	$	12.00	$	-	-	$	-	$	-
	174,467	7.27	$	11.20	$	15,969	15,982	$	12.00	$	15,969

The weighted average grant-date fair value of options granted in June and September of 2012 were $2.55 and $2.76, respectively. 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. The total intrinsic value of options exercised during the years ended December 31, 2012, and 2011, and 2010, were $2,845, $40,773 and $43,082, respectively.

A summary of the status of the Company's nonvested shares as of December 31, 2012 is presented below:

Nonvested Shares:	Shares		Weighted Average Grant-Date Fair Value
Nonvested at beginning of year	163,006	$	4.50
Granted	11,500		2.60
Vested	(12,021)		4.06
Forfeited	(4,000)		5.04
Nonvested at end of year	158,485	$	4.38

The Company recognized compensation cost for the years ended December 31, 2012, 2011 and 2010 in the amount of $72,928, $64,587, and $50,721, respectively.

As of December 31, 2012 there was $530,420 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 7.27 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 $285,000, $240,000, and $240,000 for the years ended December 31, 2012, 2011 and 2010, 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 $2,160,000 and $1,790,000 to the Company during the years ended December 31, 2012 and 2011, 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 34,675 shares of common stock and options to purchase 159,675 shares of common stock with prices ranging from $11.67 to $15.11 and $10.42 to $15.11 per share were not included in the computation of diluted earnings per share for 2012 or 2011, 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:

	2012		2011		2010	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Weighted average shares outstanding	4,445,738	4,445,738	4,439,887	4,439,887	4,416,065	4,416,065
Effect of dilutive securities:						
Stock options	-	-	-	-	-	-
Average shares outstanding	4,445,738	4,445,738	4,439,887	4,439,887	4,416,065	4,416,065

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, 2012, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

At December 31, 2012 and 2011, 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, 2012

	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	$34,912	13.73%	$20,343	8.00%	$ N/A	N/A
Bank	$34,686	13.64%	$20,343	8.00%	$25,429	10.00%
Tier 1 capital to risk-weighted assets:						
Company	$31,730	12.48%	$10,171	4.00%	$ N/A	N/A
Bank	$31,504	12.39%	$10,171	4.00%	$15,257	6.00%
Tier 1 capital to average assets:						
Company	$31,730	10.14%	$12,521	4.00%	$ N/A	N/A
Bank	$31,504	10.07%	$12,515	4.00%	$15,644	5.00%

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%

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, 2012 and 2011:

	2012	
	Carrying Amount	Estimated Fair Value
Financial Assets:		
Cash and due from banks	$ 5,137,888	$ 5,137,888
Interest bearing deposits in other banks	25,903,960	25,903,960
Investments available for sale	58,514,216	58,514,216
Mortgage loans to be sold	18,479,878	18,479,878
Loans	217,128,624	217,432,537
Financial Liabilities:		
Deposits	291,073,843	291,094,742
Short-term borrowings	-	-
	Notional Amount	Fair Value
Off-Balance Sheet Financial Instruments:		
Commitments to extend credit	$ 51,144,731	$ -
Standby letters of credit	749,712	-

	2011	
	Carrying Amount	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
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	-

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, 2012 and 2011, and the related condensed statements of operations and cash flows for the years ended December 31, 2012, 2011 and 2010, are as follows:

CONDENSED STATEMENTS OF FINANCIAL CONDITION

	2012	2011
Assets		
Cash	$ 86,305	$ 541,500
Investment in wholly-owned bank subsidiary	33,704,253	31,309,093
Other assets	139,884	143,276
Total assets	$ 33,930,442	$ 31,993,869
Liabilities and shareholders' equity		
Shareholders' equity	33,930,442	31,993,869
Total liabilities and shareholders' equity	$ 33,930,442	$ 31,993,869

CONDENSED STATEMENTS OF OPERATIONS

	2012	2011	2010
Interest income	$ 257	$ 289	$ 374
Net operating expenses	(213,254)	(138,877)	(136,384)
Dividends received from bank	2,160,000	1,790,000	1,715,000
Equity in undistributed earnings of subsidiary	1,719,825	1,537,906	1,531,523
Net income	$ 3,666,828	$ 3,189,318	$ 3,110,513

CONDENSED STATEMENTS OF CASH FLOWS

	2012	2011	2010
Cash flows from operating activities:			
Net income	$ 3,666,828	$ 3,189,318	$ 3,110,513
Stock-based compensation expense	72,928	64,587	50,721
Equity in undistributed earnings of subsidiary	(1,719,825)	(1,537,906)	(1,531,523)
Decrease (increase) in other assets	3,390	(81,776)	(29,101)
Net cash provided by operating activities	2,023,321	1,634,223	1,600,610
Cash flows from financing activities:			
Dividends paid	(2,489,610)	(1,376,623)	(1,688,084)
Fractional shares paid	-	-	(2,466)
Stock options exercised	11,094	123,403	210,811
Net cash used by financing activities	(2,478,516)	(1,253,220)	(1,479,739)
Net (decrease) increase in cash	(455,195)	381,003	120,871
Cash at beginning of year	541,500	160,497	39,626
Cash at end of year	$ 86,305	$ 541,500	$ 160,497
Change in dividend payable	$ (488,944)	$ 488,944	$ -

17. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The tables below represent the quarterly results of operations for the years ended December 31, 2012 and 2011, respectively:

	2012			
	FOURTH	THIRD	SECOND	FIRST
Total interest and fee income	$ 3,155,002	$ 3,098,440	3,081,764	$ 3,127,653
Total interest expense	104,285	106,875	112,400	132,059
Net interest income	3,050,717	2,991,565	2,969,364	2,995,594
Provision for loan losses	70,000	80,000	80,000	120,000
Net interest income after provisions for loan losses	2,980,717	2,911,565	2,889,364	2,875,594
Other income	659,490	570,181	562,744	553,048
Other expense	2,217,030	2,156,249	2,204,558	2,153,788
Income before income tax expense	1,423,177	1,325,497	1,247,550	1,274,854
Income tax expense	431,004	431,835	357,283	384,128
Net income	$ 992,173	$ 893,662	$ 890,267	$ 890,726
Basic income per common share	$ .22	$ .20	$ .20	$ .20
Diluted income per common share	$ .22	$ .20	$ .20	$ .20

	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

18. <u>Subsequent Events</u>

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.

Item 9. <u>Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>

None

Item 9A. <u>Controls and Procedures</u>

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, 2012 under the supervision and with the participation of the Bank of South Carolina Corporation's management, including its President/Chief Executive Officer and the Chief Financial Officer/Executive Vice President and several other members of the Company's senior management. Based upon that evaluation Bank of South Carolina Corporation's management, including the President/Chief Executive Officer and the Chief Financial Officer/Executive Vice President concluded that as of December 31, 2012, 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/Chief Executive Officer and Chief Financial Officer/Executive Vice President) 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.

<u>Management's Report on Internal Control Over Financial Reporting</u>

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/Chief Executive Officer and the Chief Financial Officer/Executive Vice President, the Company's management has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2012, 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, 2012. Based on this assessment management believes that as of December 31, 2012, 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, 2012, 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 2012 that was not reported.

PART III

Item 10. Directors, Executive Officers, Promoters and Corporate Governance

The information required by this item contained under the sections captioned "Proposal 1-To Elect Nineteen Directors of Bank of South Carolina Corporation to Serve Until the Company's 2014 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 9, 2013, 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 Nineteen Directors of Bank of South Carolina Corporation to Serve until the Company's 2014 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 Linda J. Bradley McKee, PhD., CPA., (Chairman), Glen B. Haynes, DVM., Richard W. Hutson, Jr., Katherine M. Huger, 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/Chief Executive Officer, the Chief Financial Officer/Executive Vice-President 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, 2012:

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]	36,717	$13.44	-
2010 Omnibus Stock Incentive Plan approved by Shareholders[3]	137,750	10.60	162,250
Total	174,467	$11.20	162,250

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. Douglas H. Sass, Executive Vice President, also received options on June 23, 2011 to purchase 5,000 shares. During the year ended December 31, 2011, options for 5,750 shares were forfeited with the resignation of two employees. On June 23, 2012 the Executive Committee granted options to purchase 9,000 shares to 5 employees including Douglas H. Sass, Executive Vice President, who received options to purchase 5,000 shares. In addition, the Board of Directors granted options to purchase 2,500 shares to 1 employee on September 24, 2012. There were options to purchase 4,000 shares forfeited during the year ended December 31, 2012.

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 Nineteen Directors of Bank of South Carolina Corporation to Serve Until the Company's 2014 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, 2013 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	2013 Proxy Statement (Filed with 2012 10-K)
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)
10.6	Employee Stock Ownership Plan (Filed with 2008 10-K/A)
	Employee Stock Ownership Plan, Restated (Filed with 2011 Proxy Statement)

10.7	2010 Omnibus Incentive Stock Option Plan (Filed with 2010 Proxy Statement)
13.0	2012 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 the Principal Executive Officer
31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a) by the Principal 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 28, 2013

BANK OF SOUTH CAROLINA CORPORATION

By: /s/Sheryl G. Sharry
Sheryl G. Sharry
Chief Financial Officer/Executive Vice President

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 28, 2013	/s/David W. Bunch David W. Bunch, Director
February 28, 2013	/s/Graham M. Eubank, Jr. Graham M. Eubank, Jr., Director
February 28, 2013	/s/Fleetwood S. Hassell Fleetwood S. Hassell, President/Chief Executive Officer & Director
February 28, 2013	/s/Glen B. Haynes Glen B. Haynes, DVM, Director
February 28, 2013	/s/William L. Hiott, Jr. William L. Hiott, Jr., Director
February 28, 2013	/s/Katherine M. Huger Katherine M. Huger, Director
February 28, 2013	/s/Richard W. Hutson, Jr. Richard W. Hutson, Jr., Director
February 28, 2013	/s/Charles G. Lane Charles G. Lane, Director
February 28, 2013	/s/Hugh C. Lane, Jr. Hugh C. Lane, Jr., Chairman of the Board, Director
February 28, 2013	/s/Louise J. Maybank Louise J. Maybank, Director
February 28, 2013	/s/Linda J. Bradley McKee Linda J. Bradley McKee, PHD,CPA, Director
February 28, 2013	/s/Alan I. Nussbaum Alan I. Nussbaum, MD, Director
February 28, 2013	/s/Edmund Rhett, Jr. Edmund Rhett, Jr., MD, Director
February 28, 2013	/s/Malcolm M. Rhodes Malcolm M. Rhodes, MD, Director
February 28, 2013	/s/David R. Schools David R. Schools, Director

February 28, 2013	/s/Sheryl G. Sharry Sheryl G. Sharry Chief Financial Officer/Executive Vice President, Director
February 28, 2013	/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, Fleetwood S. Hassell 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 28, 2013

/s/Fleetwood S. Hassell
Fleetwood S. Hassell
President/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 28, 2013

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

Exhibit 32.1

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

I, Fleetwood S. Hassell, President/Chief Executive Officer 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 10-K for the period ended December 31, 2012 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 28, 2013

BY: /s/Fleetwood S. Hassell
Fleetwood S. Hassell
President/Chief Executive Officer

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 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 10-K for the period ended December 31, 2012 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 28, 2013

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

Exhibit 23.1

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 March 4, 2013, relating to our audit of the consolidated balance sheet of Bank of South Carolina Corporation and Subsidiary as of December 31, 2012 and related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for the year then ended, which report appears in the December 31, 2012 Annual Report on Form 10-K and to the reference to our Firm under the heading "Experts" in the Registration Statement.

Elliott Davis, LLC

Charleston, South Carolina
March 4, 2013

Corporate Information

BACK ROW:
David R. Schools
Charles G. Lane
Graham M. Eubank, Jr.
Steve D. Swanson
Edmund Rhett, Jr., MD
Malcolm M. Rhodes, MD
David W. Bunch
William L. Hiott, Jr.

NOT PICTURED:
Alan I. Nussbaum, MD

FRONT ROW:
Hugh C. Lane, Jr.
Sheryl G. Sharry
Katherine M. Huger
Louise J. Maybank
Linda J. Bradley McKee, PhD, CPA
Glen B. Haynes, DVM
Fleetwood S. Hassell
Richard W. Hutson, Jr.

OFFICERS

*Hugh C. Lane, Jr.
Chairman

*Fleetwood S. Hassell
President & Chief Executive Officer

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

*Douglas H. Sass
Executive Vice President

*Richard W. Hutson, Jr.
Secretary

*Janice B. Stanley
Assistant Secretary

Sally I. Altman
Senior Vice President

Rovina Andrade
Assistant Vice President

Stacy Arnett
Commercial Services Officer

Lucy E. Ashley
Vice President

Nancy Batchelder
Vice President

Rhett D. Bearden
Vice President

Susanne K. Boyd
Senior 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
Vice President

Leon B. de Brux
Senior Vice President

Ryan Gesser
Vice President

Ann S. Gregorie
Senior Vice President

Della M. Kirsch
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
Remote Deposit Officer

Bret Roesner
Assistant 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

Brian Turner
Vice President

Gene Walpole
Assistant Vice President

Carson Williams
Vice President

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

EMPLOYEES

Greg Aumiller
Linda Batdorff
Patti Black
Linda Bryant
Allison Bussells
Martha Cole
Jessica Cottingham
Rebecca Crane
Michelle Crisp
Melonye Evans
Casey Figueroa
Heather Flynn
Susan Getz
Ruth Green
Eric Haskins
Robert Hollings
Eugenia Hollington
Ellen James
Gail Johanson
Thomas Johnson
Jo-Chi Mao
Stephen Mappus
Linda Menor
Heather Mottel
Madison Norris
Kyle Osborne
Sarah Pearson
Rebecca Pollack
Susan Richardson
Ryan Rodgers
Sarah Rush
Elizabeth Ryan
Zachary Shaw
Andy Slanker
Kathy Sutler
Eleanor Tucker
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

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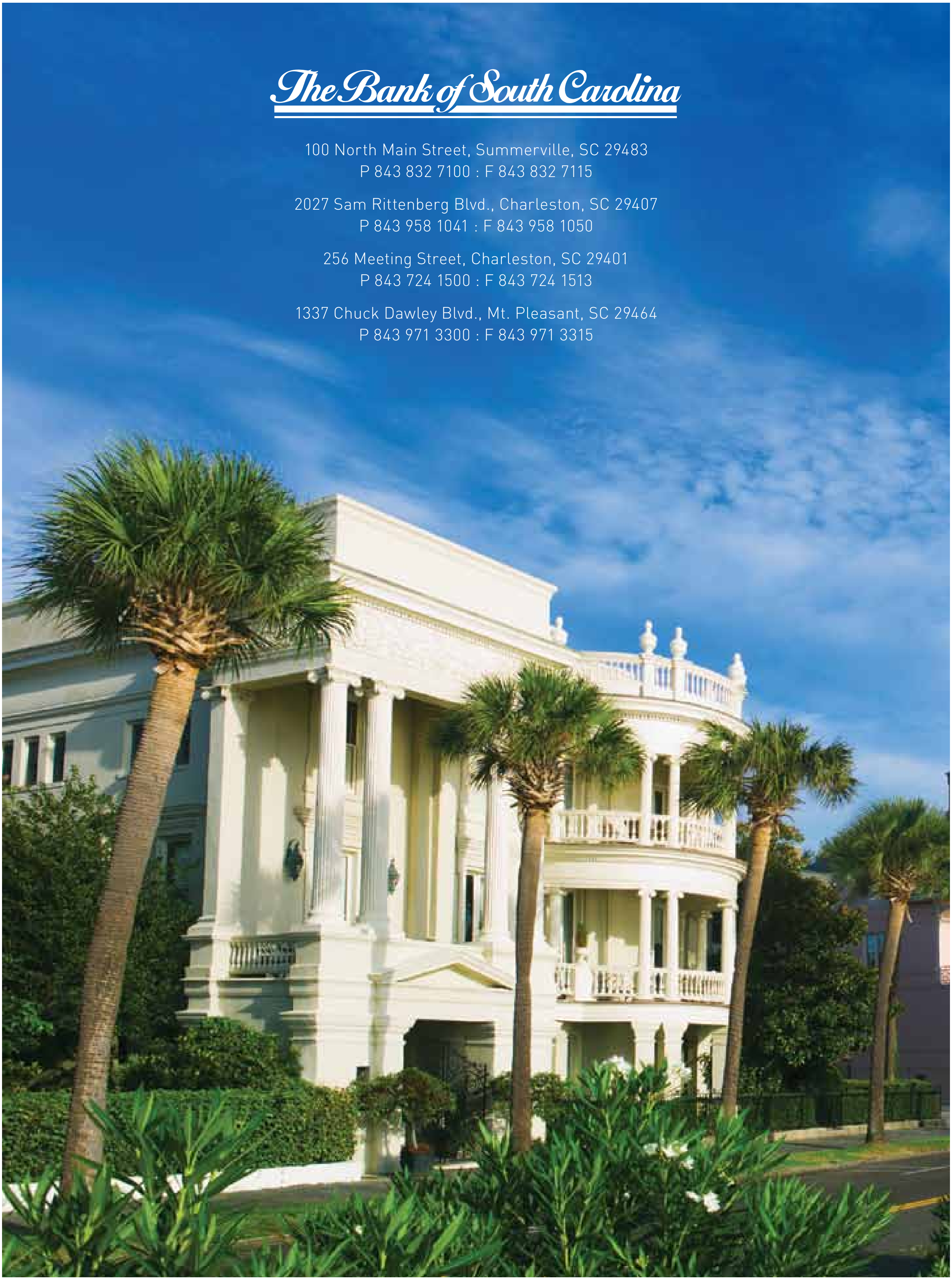

The Bank of South Carolina

100 North Main Street, Summerville, SC 29483
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2027 Sam Rittenberg Blvd., Charleston, SC 29407
P 843 958 1041 : F 843 958 1050

256 Meeting Street, Charleston, SC 29401
P 843 724 1500 : F 843 724 1513

1337 Chuck Dawley Blvd., Mt. Pleasant, SC 29464
P 843 971 3300 : F 843 971 3315