The Bank of South Carolina

2014 ANNUAL REPORT

HIGHLIGHTS

THE BANK DIRECTOR

NIFTY 50

THE TOP RANKED BANKS

IN

CAPITAL ADJUSTED PROFITABILITY

SNL FINANCIAL & SANDLER O'NEILL

OUR INSTITUTION IS RATED 5-STARS BY BAUER ®

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NAMED A "BANK & THRIFT SM-ALL STAR"

SANDLER O'NEILL + PARTNERS

11.06%

3-YEAR AVERAGE ROAE

BKSC—CHARLESTON, SC

The most profitable 200 community banks and thrifts as ranked by three-year average ROE

RISING TIDE

AMERICAN BANKER MAGAZINE

$4,398,820

or

$0.99 PER SHARE

2014 EARNINGS, AN INCREASE OF 7.90%

12.12%

compared with

11.72% IN 2013

2014 RETURN ON AVERAGE EQUITY

MMXIV

This statement has not been reviewed or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation.

DEAR

STOCKHOLDERS, CUSTOMERS, *EMPLOYEES,* AND *FRIENDS,*

***2014** has proven to be a remarkable year, with record earnings, increased deposits, and continued investment in our future.*

*We were recently named by **Sandler-O'Neill Partners** to their **All-Star Class of 2014** as one of **35 banks and thrifts in the country delivering bottom-line results** better than industry peers. In addition, with the one-time **$.10 dividend declared to celebrate our 100th regular cash dividend,** we were recognized by NASDAQ on their tower in Times Square—a suitable picture for the cover of our annual report. We were again named a **5-Star Bank by Bauer Financial Inc.,** and for the 14th consecutive quarter, The Bank of South Carolina was named the **#1 bank in the state by Financial Management Consulting Group**—an honor we take quite seriously.*

Such enduring recognition spotlights our strength in the areas of capital adequacy, profitability, and asset quality, and bolsters the trust and peace of mind we strive to earn from our customers. We take great pride in these wonderful accolades; however, our greatest reward is continuing to serve our customers—customers who see the value in relationship banking. Staying the course and building the bank one account at a time has resulted in a remarkable foundation for our future.

We are well prepared for the anticipated increase in interest rates by the Federal Reserve, as we have structured the Bank to be asset sensitive. The cost of compliance remains high—a factor which has contributed to the departure of several banks from our industry altogether. Although regulatory headwinds endure, we have met and managed these demands well and will continue to do so. We have elected to push back the construction of our North Charleston office to the beginning of this 3rd quarter to allow for further development of the area's infrastructure. We are looking forward to the groundbreaking and to fulfilling our commitment to bring our brand of banking to North Charleston.

Meanwhile, the concerns of mega-banks are rooted in capital market revenues, the European debt crisis, and lingering expenses associated with litigation. More and more, reliance on faceless technology drives their decisions. As John Medlin, Jr. of Wachovia Bank said, "Despite the many technological advances and financial innovations, banking remains a highly personal process of people serving, and people trusting people." We remain committed to utilizing technology as an enhancement to all we do, and never as a replacement for the personalized sevice we provide our customers.

Financial institutions in this country number less than 50% of what they did twenty years ago. As the number of banks continues to dwindle, the haze of future banking is starting to clear. Mega-banks continue to dominate our nation's finances; however, we believe the bank of choice will increasingly be financial institutions like ours that are extremely focused and dedicated to growing the share of the market they are in, and to delivering the service, responsiveness, and attention to detail required to succeed.

Continuing prudent use of technology, building our base of young bankers, and adhering to the fundamentals of our business will continue to drive the efficiency of our operation and ensure the longevity of our unique position as the #1 community bank in the state.

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 10, 2015

Dear Shareholder:

The Annual Meeting of Shareholders of Bank of South Carolina Corporation will be held at 2:00 p.m. on Tuesday, April 7, 2015, 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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SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ☒

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for use of the Commission only (as permitted by Rule 14a-6(e) (2))
☒ Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material under Rule 14a-12

Bank of South Carolina Corporation
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PROXY MATERIAL OF
BANK OF SOUTH CAROLINA CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 7, 2015

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 7, 2015, at 2:00 p.m., for the following purposes:

1. *Elect Directors*. To elect eighteen Directors of Bank of South Carolina Corporation to serve until the Company's 2016 Annual Meeting of Shareholders;

2. *Ratify Independent Accountant.* To ratify the appointment by the Audit and Compliance Committee of the Company's Board of Directors of Elliott Davis Decosimo, LLC as independent certified public accounting firm for the year ended December 31, 2015;

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

Shareholders of record at the close of business on February 27, 2015, 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
/s/Richard W. Hutson, Jr.
Richard W. Hutson, Jr., Secretary
February 26, 2015

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 2015 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 10, 2015.

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 7, 2015
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 eighteen Directors of Bank of South Carolina Corporation to serve until the Company's 2016 Annual Meeting of Shareholders.

Proposal 2: To ratify the appointment by the Audit and Compliance Committee of the Company's Board of Directors of Elliott Davis Decosimo, LLC independent public accounting firm for the year ended December 31, 2015.

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

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDERS' MEETING TO BE HELD APRIL 7, 2015

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 2014 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 February 27, 2015, as the record date for Shareholders entitled to notice of and to vote at the Annual Meeting of Shareholders. Only holders of record of Bank of South Carolina Corporation's Common Stock on that date are entitled to notice of and to vote at the Annual Meeting. Each Shareholder is entitled to one vote for each share of Bank of South Carolina Corporation Common Stock that the Shareholder owns; provided, however, that the Shareholders have cumulative voting rights for the election of Directors. The right to cumulate votes means that the Shareholders are entitled to multiply the number of votes they are entitled to cast by the number of Directors for whom they are entitled to vote and cast the product for a single candidate or distribute the product among two or more candidates. On February 27, 2015, there were 4,461,338 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. 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, your bank or broker was allowed to vote those shares on your behalf as they deemed appropriate. Due to changes in regulations, your bank or broker no longer has the ability to vote your uninstructed shares 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, 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 Corporation Common Stock entitled to vote at the Annual Meeting as of the record date shall constitute a quorum. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

What if a Quorum is Not Present at the Meeting?

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

Will Cumulative Voting Apply for the Election of Directors?

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

May I Revoke My Proxy?

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

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth, as of February 27, 2015, the voting record date, information regarding share ownership of:

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

Persons and groups who beneficially own more than five percent of Bank of South Carolina Corporation's Common Stock are required to file with the SEC, and provide a copy to the Company, reports disclosing their ownership pursuant to the Securities Exchange Act of 1934. To the extent known to the Board of Directors of the Company, no other person or entity, other than those set forth below, beneficially owned more than five percent of the outstanding shares of Bank of South Carolina Corporation Common Stock as of the close of business on the voting record date, February 27, 2015.

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 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	819,367 (2)	18.366%
Common Stock	The Bank of South Carolina Employee Stock Ownership Plan and Trust ("the ESOP") 256 Meeting Street Charleston, SC 29401	286,639 (3)	6.425%

(1) To the extent known to the Board of Directors, the emancipated children and grandchildren of Hugh C. Lane, Jr., Charles G. Lane and Hugh C. Lane, Jr., collectively, have beneficial ownership of 819,367 shares or 18.366% 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 (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 265,868 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, and 33,334 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.

(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 Douglas H. Sass, Executive Vice President and Director of the Bank and Company, disclaim beneficial ownership of the 286,639 shares owned by the ESOP with all shares allocated to members of the Plan each of whom under the terms of the Plan has the right to direct the Trustees as to the manner in which voting rights are to be exercised.

Title of Class	**Name and Address of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Percent of Class**
Executive Officer Directors			
Common Stock	Fleetwood S. Hassell 30 New Street Charleston, SC 29401	85,805 (1)	1.923%
Common Stock	Hugh C. Lane, Jr. 30 Church Street Charleston, SC 29401	819,367 (1)	18.366%
Common Stock	Sheryl G. Sharry 1550 Kentwood Drive James Island, SC 29412	74,082(1)	1.661%
Common Stock	Douglas H. Sass 26 Gadsden Street Charleston, SC 29401	23,385 (1)	0.524%

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	1,753	0.039%
Common Stock	Graham M. Eubank, Jr. 791 Navigators Run Mt. Pleasant, SC 29464	861	0.019%
Common Stock	Elizabeth M. Hagood 46 South Battery Charleston, SC 29401	100	0.002%
Common Stock	Glen B. Haynes, DVM 101 Drayton Drive Summerville, SC 29483	6,755	0.151%
Common Stock	William L. Hiott, Jr. 1831 Capri Drive Charleston, SC 29407	172,193 (1)	3.860%
Common Stock	Katherine M. Huger 1 Bishop Gadsden Way, Cottage 17 Charleston, SC 29412	10,804 (1)	0.242%
Common Stock	Richard W. Hutson, Jr. 124 Tradd Street Charleston, SC 29401	5,977	0.134%
Common Stock	Charles G. Lane 10 Gillon Street Charleston, SC 29401	178,063 (1)	3.991%
Common Stock	Dr. Linda J. Bradley McKee, CPA 3401 Waterway Blvd. Isle of Palms, SC 29451	1,947	0.044%
Common Stock	Alan I. Nussbaum, MD 37 Rebellion Road Charleston, SC 29407	1,985	0.044%

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	Edmund Rhett, Jr. MD 17 Country Club Drive Charleston, SC 29412	4,605 (1)	0.103%
Common Stock	Malcolm M. Rhodes, MD 7 Guerard Road Charleston, SC 29407	3,065	0.069%
Common Stock	David R. Schools 317 Coinbow Drive Mount Pleasant, SC 29464	8,356 (1)	0.187%
Common Stock	Steve D. Swanson 615 Pitt Street Mount Pleasant, SC 29464	13,669	0.306%
Common Stock	All Directors, Nominees, and Executive Officers as a group (18 persons)	891,195	19.976%

(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 15,708 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., held by him as Trustee of the ESOP, and 31,873 shares owned by the ESOP, in which he has a vested interest; Hugh C. Lane, Jr., - an aggregate of 28,854 shares owned by his wife, held by him as a Trustee of Mills Bee Lane Memorial Foundation, and 33,334 shares owned by the ESOP in which he has a vested interest; Sheryl G. Sharry 4,000 shares held by her as Trustee of the ESOP, and 31,147 shares owned by the ESOP, in which she has a vested interest; Douglas H. Sass 4,000 shares held by him as Trustee of the ESOP, and 13,388 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 20,341shares 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; Edmund Rhett, Jr., MD - 831 shares owned by his wife; David R. Schools – 4,000 shares held by him as Trustee of the ESOP, and 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, 2014:

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]	24,915	$14.61	-
2010 Omnibus Stock Incentive Plan approved by Shareholders[3]	135,250	$10.97	155,750
Total	160,165	$11.53	155,750

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.

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 to purchase 33,000 shares were granted to 21 employees (other than Executive Officers) with options to purchase 750 shares forfeited with the resignation of one employee 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 including Sheryl G. Sharry, and Fleetwood S. Hassell, both Executive Officers who each received options to purchase 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 to purchase 5,750 shares were forfeited with the resignation of 2 employees. On June 28, 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. Options to purchase 4,000 shares were forfeited during the year ended December 31, 2012 (2,750 had been issued under the 1998 Plan) with the resignation of 3 employees. On June 27, 2013, options to purchase 5,000 shares were granted to 5 employees. Options to purchase 2,000 shares were granted to 3 employees on December 19, 2013. Options to purchase 9,653 (1,650 issued under the 1998 Plan) shares were forfeited during the year ended December 31, 2013, with the resignation of 10 employees. On July 24, 2014, options to purchase 10,000 shares were granted to 12 employees. Options to purchase 6,500 shares were forfeited during the year ended December 31, 2014, with the resignation of 5 employees.

PROPOSAL 1: TO ELECT EIGHTEEN DIRECTORS OF BANK OF SOUTH CAROLINA CORPORATION TO SERVE UNTIL THE COMPANY'S 2016 ANNUAL MEETING OF SHAREHOLDERS.

The Board of Directors proposes that the 18 nominees described below be elected for a new term expiring at the 2016 Annual Meeting of Shareholders and until their successors are duly elected and qualified. All nominees 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 from their extensive business and Board experiences. The process undertaken by the Nominating Committee in recommending qualified Director candidates is described below under "Meetings and Committees of the Board of Directors and Corporate Governance Matters" (see pages 16 -19 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. Four 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. These four Directors of the Bank were elected to serve one-year terms at subsequent Annual Meetings. All of the above four 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 one-year terms 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 one-year terms 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 one-year terms at subsequent Annual Meetings. Steve D. Swanson served on the Board from 2002 to 2007. Mr. Swanson rejoined the Board of Directors after being elected by the shareholders on April 12, 2011, and was elected to serve one-year terms at subsequent annual meetings. Douglas H. Sass, an Executive Officer, and Elizabeth M. Hagood were first elected by the Shareholders on April 9, 2013, and were elected to serve a one-year term at the 2014 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 55 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. Currently, Mr. Hassell serves on the College of Charleston Foundation Board, the Association of the Blind and Visually Impaired Board and the Trident United Way Board. 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 67 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. 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 Charleston 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 60 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 51 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; 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 a 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 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 57 First Elected to the Board 2013
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 wherein he obtained a state real estate appraisal license. 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. He serves as an Administrator and Trustee of the Bank of South Carolina Employee Stock Ownership Plan and Trust. 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, currently serves as Treasurer of The Charleston Museum and the Board of 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 64 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.; as Vice-President, Bunch Leasing Co.; as Vice-President, Florence Truck Center, Inc.; as Partner, Bunch Truck & Equipment, LLC; as Partner, Bunch & Sons-Real Estate; as 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. Mr. Bunch was elected to the South Carolina Automobile Dealers Association Board in 2013.

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 and Audit and Compliance Committees and various community Boards.

Graham M. Eubank, Jr. Age 47 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 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, 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 and Compliance Committee, Compensation Committee and the Nominating Committee. His background in business has been an asset to the current Board. For these reasons, the Nominating Committee has recommended Mr. Eubank for re-election to the Board of Directors.

Elizabeth M. Hagood Age 53 First elected to the Board 2013

Mrs. Hagood is the former Executive Director of the Lowcountry Open Land Trust. 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). Mrs. Hagood served 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.

Elizabeth Hagood was 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 60 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 30 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 specifically 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 Anglican Church where he has served on the vestry. Currently, Dr. Haynes is Chairman of the Frances Willis SPCA Endowment Board and is a coach for the Pinewood Prep School Sporting Clays team.

Dr. Haynes has been committed to the success of the Company, serving on several Committees including the audit and compliance, investment, and loan committees. 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 70 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). Currently, Mr. Hiott serves on the DNR Wildlife and Freshwater Fisheries Board.

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 73 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 World Affairs Council of Charleston, and the Junior League of Charleston. Currently, she does various volunteer work including activities with the Gibbes Art Museum.

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 27 years of service as well as her willingness to serve on the Audit and Compliance 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 57 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 and Compliance Committee, Investment 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 60 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. He has devoted 27 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.

Linda J. Bradley McKee, PhD, CPA, Age 64 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 21 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 and Compliance 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 63 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 and Compliance 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 and Compliance Committee and is dedicated to the success of the Company.

Edmund Rhett, Jr., MD Age 67 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 37 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 30 years and has served as President of its Board for 18 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 and Compliance Committee and the Investment Committee. He has a successful private gynecological practice and has committed 30 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 56 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 and Compliance 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 56 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 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 and Compliance Committee.

Steve D. Swanson Age 47 First elected to the Board 2002-2007 Re-elected 2011

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.

Mr. Swanson's extensive experience in business both in starting and running a business, his commitment to the success of the Company, and his community involvement qualify him for the Board of Directors. Therefore, the Nominating Committee recommends Mr. Swanson for re-election to the Board of Directors.

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., Jr. presently serves as Chairman of the Board of Directors. The Board of Directors of the Company held 6 meetings (including all regularly scheduled and special meetings) during the year ended December 31, 2014. 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 and Compliance 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, Eugene H. Walpole, IV, CPA, CFSA, and CRMA, serves as Risk Management Officer/Vice President overseeing the 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	X			
Graham M. Eubank, Jr.			X	X
Elizabeth M. Hagood				X
Fleetwood S. Hassell				
Glen B. Haynes, DVM				
William L. Hiott, Jr.		X		
Katherine M. Huger	X			
Richard W. Hutson, Jr.				
Charles G. Lane		X		
Hugh C. Lane, Jr.				
Dr. Linda J. Bradley McKee, PhD, CPA	X			
Alan I. Nussbaum, MD		X	X	
Edmund Rhett, Jr., MD		X		X
Malcolm M. Rhodes, MD				
Douglas H. Sass				
David R. Schools	X		X	X
Sheryl G. Sharry				
Steve D. Swanson	X	X		

The Audit and Compliance Committee members are appointed and approved by the Board of Directors, annually. The Audit and Compliance Committee is to be comprised of not less than 5 members of the Board of Directors or such larger number as approved by the Board of Directors. During 2014, the Audit and Compliance Committee held 4 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 and Compliance Committee, qualifies as a financial expert under the applicable guidelines of the Securities and Exchange Act.

The Audit and Compliance 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 and Compliance 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 2014, the Executive/long-Range Planning Committee held 4 meetings. In addition to long-range and strategic planning, the principal function of the Committee is to exercise all authority of the Board of Directors in the management and affairs of the Company and the Bank. In addition, the Committee acts on behalf of the entire Board of the Company between the regular Board Meetings.

The Compensation Committee consists of 3 independent Directors appointed by the Board of Directors of the Company to assist the Board in fulfilling its oversight responsibilities. The Committee also functions as the Compensation Committee of the Bank. The duties and responsibilities of the Compensation Committee are as follows:

- To review and approve compensation of the Executive Officers in light of the Company's goals and objectives. (Executive Officers may not be present during voting or deliberations on their compensation).
- To oversee regulatory compliance and risk management with respect to compensation matters.
- To make regular reports to the Board.
- To review and approve the Report of Compensation for inclusion in the Company's annual Proxy Statement, in accordance with applicable rules and regulations.
- To review and approve the Compensation Discussion and Analysis of the Company's annual Proxy Statement, and recommend to management that it be included in the annual Proxy Statement.
- To perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time.

The Compensation Committee's policies and procedures for decisions did not change since the positive advisory vote by the Shareholder's on the compensation of the most highly compensated Executive Officers of the Company at the Annual Meeting held April 9, 2013.

The Board of Directors has determined that each of the directors serving on our Compensation Committee is independent and satisfies other requirements imposed by:

- The NASDAQ Stock Market;
- The Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the Securities and Exchange Commission (the "SEC") under the Exchange Act; and
- Any other laws, rules or regulations applicable to the Company or its subsidiaries.

The Compensation Committee has sole discretion to hire, retain, terminate and approve fees and other retention terms of independent legal, accounting or other advisors (including compensation consultants) as it deems appropriate without management or Board approval. In doing so, the Compensation Committee shall comply with all applicable rules of the SEC or the NASDAQ Stock Market. The Committee met 1 time in 2014 and did not consult independent legal counsel or compensation consultants.

The Compensation Committee Charter was adopted on June 27, 2013 and may be obtained at the Company's internet website http://www.banksc.com.

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 did not meet during 2014.

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 and Compliance 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, Douglas H. Sass, Executive Vice President and Charles G. Lane, brother of Hugh C. Lane, Jr..

Code of Business Conduct and Ethics: A Code of Ethics for officers, Directors and employees was attached as Exhibit 14.0 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 and Compliance Committee by writing to the following address:

Bank of South Carolina Corporation Audit and Compliance Committee
c/o Dr. Linda J. Bradley McKee, PhD, CPA, 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 Company and brother of Hugh C. Lane, Jr., Chairman of the Board, is a Managing Member of Holcombe, Fair and Lane, LLC. The original contract was a two year lease on office space at a rate of $2,095 a month. A copy of the lease was filed with the 2010 10-K. The contract was renegotiated for larger office space at a rate of $4,000 a month. A copy of this lease was filed with the March 31, 2013 10-Q. In addition, Sass, Herrin and Associates, Inc. an appraisal firm, is on the Company's list of approved appraisal companies. 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.

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, 2014. 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	$8,200	$8,200
Graham M. Eubank, Jr.	$5,200	$5,200
Elizabeth M. Hagood	$5,450	$5,450
Fleetwood S. Hassell	-	-
Glen B. Haynes, DVM	$7,400	$7,400
William L. Hiott, Jr.	$7,500	$7,500
Katherine M. Huger	$7,800	$7,800
Richard W. Hutson, Jr.	$5,500	$5,500
Charles G. Lane, Jr.	$7,200	$7,200
Hugh C. Lane, Jr., Jr.	-	-
Dr. Linda J. Bradley McKee, CPA	$5,650	$5,650
Alan I. Nussbaum, MD	$5,400	$5,400
Edmund Rhett, Jr. MD	$6,050	$6,050
Malcolm M. Rhodes, MD	$5,300	$5,300
Douglas H. Sass	-	-
David R. Schools	$5,750	$5,750
Sheryl G. Sharry	-	-
Steve D. Swanson	$4,950	$4,950

Non-Executive-Officer Directors of the Company received $200.00 for each meeting of the Board of Directors of the Company attended and non-Executive-Officer Directors of the Bank received $350.00 for each meeting of the Board of Directors of the Bank attended and $150.00 for each Company or Bank Board Committee meeting attended. In addition, non-Executive-Officer Directors of the Bank received $250.00 for each Advisory Board meeting attended.

Section 16A Beneficial Ownership Reporting Compliance

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, Director
- Douglas H. Sass, Executive Vice President, Director

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

Overview of Compensation Program

The Compensation Committee of the Board of Directors, which consists solely of independent Directors, has the responsibility for developing, implementing and monitoring adherence to the Company's compensation philosophies and program. David R. Schools, Fleetwood S. Hassell, Sheryl G. Sharry and Douglas H. Sass 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 their 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, 2014 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's objectives are:

- To encourage the achievement of the Company's long-range objectives by providing compensation that reflects the performance of the individual and the achievement of Company objectives. The level of compensation shall be reasonable based upon the Company's corporate goals and objectives, normal and customary levels of compensation within the banking industry (taking into consideration geographic and competitive factors), the Bank's asset quality, capital level, operations and profitability, and the duties performed and responsibilities held by the individual.
- To establish compensation guidelines that will attract and retain qualified personnel through an overall level of compensation opportunity that is competitive with in the banking industry.

The following table sets forth all remuneration paid during the years ended December 31, 2014, 2013, and 2012 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 continues 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 of Directors approved a $15,000 increase in the salary of the President/Chief Executive Officer, a $13,000 increase for the Chief Financial Officer/Executive Vice President, and a $10,500 increase for the Executive Vice President for the year ended December 31, 2015. The Board of Directors approved this recommendation on December 18, 2014. The Compensation Committee recommended and the Board of Directors approved a $15,000 increase in the salaries of the Executive Officers for the year ended December 31, 2014. This recommendation was approved by the Board of Directors on December 19, 2013.The Compensation Committee recommended and the Board approved a $15,000 bonus for the year ended December 31, 2014, and a $10,000 bonus for the years ended December 31, 2013 and December 31, 2012, for each of the Executive Officers.

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	2014	$240,002.41	$15,100.00					$16,148.11	$271,250.52
	2013	$240,002.41	$10,100.00					$16,545.38	$266,647.79
	2012	$230,001.45	$100.00					$15,247.66	$245,349.11
Fleetwood S. Hassell President/Chief Executive Officer	2014	$200,001.38	$15,100.00					$13,616.03	$228,717.41
	2013	$185,001.38	$10,100.00					$12,906.82	$208,008.20
	2012	$182,084.75	$10,100.00					$12,204.70	$204,389.45
Sheryl G. Sharry Chief Financial Officer/Executive Vice President	2014	$172,201.46	$15,100.00					$11,856.26	$199,157.72
	2013	$157,201.45	$10,100.00					$11,067.74	$178,369.19
	2012	$157,201.45	$10,100.00					$10,624.49	$177,925.94
Douglas H. Sass, Executive Vice President	2014	$139,706.42	$15,100.00					$9,799.32	$164,604.74
	2013	$124,713.24	$10,100.00					$8,918.50	$143,731.74
	2012	$121,789.79	$10,100.00		5,000			$8,375.76	$140,265.55

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. (See "Compensation Committee" for further discussion.)

2) The bonus consists of a $100 bonus presented to all employees at Christmas for the years ended December 31, 2012, 2013 and 2014. In addition to the $100 bonus, the Executive Officers also received a $10,000 bonus in 2012 and 2013 and a $15,000 bonus in 2014. The bonuses were recommended by the Compensation Committee and approved by the Board of Directors for the outstanding performance of the Company. The Compensation Committee recommended and the Board of Directors approved a $15,000 increase in the salaries of the Executive Officers for the year ended December 31, 2014. This recommendation was approved by the Board of Directors on December 19, 2013. The Executive Officers did not receive a salary increase for the year ended December 31, 2013. Hugh C. Lane, Jr., did not receive the $10,000 bonus in 2012 nor did he receive a salary increase for the years ended December 31, 2013 or 2014.

3) The Company did not issue any stock awards to its Executive Officers during the years ended December 31, 2014, 2013 or 2012.

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. No options were granted to any Executive Officer during the years ended December 31, 2014 or December 31, 2013

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.)

The median salary for all employees other than the Executive Officers was $49,220.

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.	$16,148.11	$16,148.11
Fleetwood S. Hassell	$13,616.03	$13,616.03
Sheryl G. Sharry	$11,856.28	$11,856.28
Douglas H. Sass	$9,799.32	$9,799.32

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 was submitted to the IRS for approval and a determination letter was issued September 26, 2013, stating that the plan satisfies the requirements of Code Section 4975 (e) (7).

The Board of Directors of the Bank approved the contribution of $280,000 to the ESOP for the fiscal year ended December 31, 2014. The contribution was made during 2014. David R. Schools, Fleetwood S. Hassell, Sheryl G. Sharry and Douglas H. Sass, currently serve as Plan Administrators and as Trustees for the Plan. The Plan currently owns 286,639 shares or 6.425% of the Company's common stock outstanding.

During the fiscal year ended December 31, 2014, 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 September 24, 2010, options to purchase 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 to purchase 750 shares.

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 including Sheryl G. Sharry Chief Financial Officer/Executive Vice President and Fleetwood S. Hassell, President/Chief Executive Officer who each received options to purchase 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 to purchase 5,750 shares were forfeited with the resignation of two employees.

On June 28, 2012, options to purchase 9,000 shares were granted to 5 employees including Douglas H. Sass, Executive Vice President, who received options to purchase 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 June 27, 2013, options to purchase 5,000 shares were granted to 5 employees. On December 19, 2013, options to purchase 2,000 shares were granted to 3 employees. Options to purchase 9,653 shares (including options to purchase 1,100 shares granted under the 1998 Omnibus Stock Incentive Plan), were forfeited with the resignation of 10 employees.

On July 24, 2014, options to purchase 10,000 shares were granted to twelve employees. Options to purchase 6,500 shares were forfeited with the resignation of 4 employees during the year ended December 31, 2014.

The following information with respect to the outstanding equity awards as of December 31, 2014, is presented for the named Executive Officers with additional discussion below.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2014									
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., Jr.	-	-	-	-	-	-	-	-	-
Fleetwood S. Hassell	4,400	1,100	-	$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., 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 to purchase 9,000 shares were granted to 5 employees including Douglas H. Sass, Executive Vice President, who received options to purchase 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 June 27, 2013, the Executive Committee granted options to purchase an aggregate of 5,000 shares to five employees. On December 19, 2013, the Executive Committee granted options to purchase an aggregate of 2,000 shares to three employees. Options to purchase 9,653 shares were forfeited with the resignation of 10 employees during the year ended December 31, 2013. On July 24, 2014, the Executive Committee granted options to purchase an aggregate of 10,000 shares to twelve employees. Options to purchase 6,500 shares were forfeited with the resignation of 4 employees during the year ended December 31, 2014.

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 5,503 shares with an exercise price of $8.42 per share, options to purchase 18,425 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 13,915 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 3,300 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.

Under the 2010 Omnibus Stock Incentive Plan there are currently outstanding options to purchase 16,250 shares at an option price of $10.77 per share, options to purchased 5,000 shares at an option price of $11.67 per share, options to purchase 91,000 shares at $10.42 per share, options to purchase 8,250 shares at an option price of $11.11 per share, options to purchase 2,500 shares at $12.00 per share options to purchase 2,000 shares at $15.00 per share, options to purchase 1,000 shares at an option price of $12.84 per share, and options to purchase 9,250 shares at $14.84 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 options were 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., 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, and 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% of options to purchase 1,100 shares became exercisable for Mr. Hassell on May 17, 2011 with an additional 20% on each successive anniversary. Mr. Hassell has not exercised his options to purchase the 4,400 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 to purchase 5,000 shares at an exercise price of $10.42. These options will become exercisable in five 20% increments beginning 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 beginning on June 28, 2017. No options were granted to any Executive Officers during the years ended December 31, 2013 or December 31, 2014.

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 any of the Executive Officers during the year ended December 31, 2014.

2014 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	-	-	-	-
Douglas H. Sass	-	-	-	-

AUDIT AND COMPLIANCE COMMITTEE MATTERS

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance 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 and Compliance 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, 2014

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 and Compliance Committee's responsibility is to monitor and oversee the process.

In this context, the Audit and Compliance Committee has met and held discussions with management and Elliott Davis Decosimo, LLC, the Company's independent auditors, in 2014. In discharging its oversight responsibility as to the audit process, the Audit and Compliance 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 and Compliance Committee concerning independence and has discussed with the independent auditors their independence from the Company and its management. The Audit and Compliance Committee also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls. The Audit and Compliance Committee reviewed with the independent auditor their audit plans, audit scope and identification of audit risks.

The Audit and Compliance 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 and Compliance Committee also discussed the results of the internal audit examinations.

The Audit and Compliance Committee reviewed and discussed the audited consolidated financial statements of Bank of South Carolina Corporation as of and for the year ended December 31, 2014, with management and the independent auditors.

Based on the above-mentioned review and discussion with management and the independent auditors, the Audit and Compliance Committee recommended to the Board of Directors that Bank of South Carolina Corporation's audited consolidated financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2014, for the filing with the Securities and Exchange Commission. During 2014, the Committee appointed Elliott Davis Decosimo, LLC as the Company's independent auditors for the year ending December 31, 2015.

Submitted by:
Dr. Linda J. Bradley McKee, CPA, Chairman
David W. Bunch
Katherine M. Huger
David R. Schools
Steve D. Swanson

PROPOSAL 2: TO RATIFY THE APPOINTMENT BY THE AUDIT AND COMPLIANCE COMMITTEE OF THE COMPANY'S BOARD OF DIRECTORS OF ELLIOTT DAVIS DECOSIMO, LLC INDEPENDENT PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDED DECEMBER 31, 2015.

The Audit and Compliance Committee of the Board has appointed Elliott Davis Decosimo, LLC as Bank of South Carolina Corporation's independent accounting firm for the year ended December 31, 2015, and that appointment is being submitted to Shareholders for ratification. The appointment of Elliott Davis Decosimo, LLC as independent public accountants was approved by the Audit and Compliance Committee of the Board of Directors and ratified by the Shareholders at the 2014 and 2013 Annual Shareholders Meetings. At the 2015 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 Decosimo, 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, 2015, 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 Decosimo, 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 Decosimo, LLC assisted in the preparation of the Company's and Bank's tax returns for the fiscal year ending December 31, 2014 and 2013. These non-audit services were routine in nature and did not compose more than 25% of the total fees paid to Elliott Davis Decosimo, LLC in 2014 or 2013.

A representative of Elliott Davis Decosimo, 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 and Compliance Committee. All of the audit and tax services provided by Elliott Davis Decosimo, LLC for the fiscal year ending December 31, 2014 and 2013 were preapproved by the Audit and Compliance Committee.

		2014		**2013**
Audit Fees	$	82,350	$	80,250
Audit related fees		-		250
Total audit and related fees		82,350		80,500
Tax Fees		8,500		8,725
Total Fees	$	90,850	$	89,225

The Board of Directors recommends that Shareholder vote "FOR" the ratification of the appointment of Elliott Davis Decosimo, LLC as the Company's independent auditors for the fiscal year ending December 31, 2015.

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

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

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

PENDING LITIGATION

In the opinion of Management, there are no legal proceedings pending other than routine litigation incidental to our 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, 2014, filed with the Securities and Exchange Commission on Form 10-K, is mailed herewith to all Shareholders.

SHAREHOLDER PROPOSALS FOR THE 2016 ANNUAL SHAREHOLDERS' MEETING

Shareholder proposals, if any, for inclusion in the Proxy Statement relating to the 2016 Annual Shareholders' meeting, must be addressed to and received in the office of the President no later than December 1, 2015. To ensure prompt receipt by the Company, the proposal should be sent certified mail, return receipt requested.

By Order of the Board of Directors
/s/Richard W. Hutson, Jr.
Richard W. Hutson, Jr., Secretary
February 26, 2015

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, 2014

[ ] 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, 2014 was: $66,965,434

As of February 27, 2015, the Registrant has outstanding 4,461,388 shares of common stock.

BANK OF SOUTH CAROLINA CORPORATION
AND SUBSIDIARY

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PART I

Item 1. Business

General

The Bank of South Carolina (the "Bank") was organized on October 22, 1986 and opened for business as a state-chartered financial institution on February 26, 1987, in Charleston, South Carolina. The Bank was reorganized into a wholly-owned subsidiary of Bank of South Carolina Corporation (the "Company"), effective April 17, 1995. At the time of the reorganization, each outstanding share of the Bank was exchanged for two shares of Bank of South Carolina Corporation Stock.

The Bank operates as an independent, community oriented, commercial bank providing a broad range of financial services and products. We have four banking house locations: 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. We intend to open a banking office in North Charleston, SC on Highway 78 and Ingleside Boulevard in 2016.

References to "we," "us," "our," "the Bank," or "the Company" refer to the parent and its subsidiary, that are consolidated for financial purposes.

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 our electronic filings with the SEC, including our 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 our website, www.banksc.com, through the "Investor Relations" link. Our filings are also available through the SEC's web site at www.sec.gov or by calling 1-800-SEC-0330.

At December 31, 2014, we employed 78 people, with one individual considered part time, none of whom are subject to a collective bargaining agreement. We provide a variety of benefit programs including an Employee Stock Ownership Plan and Trust, health, life, disability and other insurance. We believe our relationship with our employees is excellent.

Competition

The financial services industry is highly competitive. We face 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 we have and offer certain services, such as trust and international banking services, which we do not provide. We do however, provide a means for clearing international checks and drafts through a correspondent bank.

By emphasizing our exceptional service levels, and knowledge of local trends and conditions, we believe that we have developed an effective competitive advantage in our market area that includes Charleston, Berkeley and Dorchester counties of South Carolina.

Supervision and Regulation

We are subject to extensive state and federal banking laws and regulations that impose specific requirements or restrictions and provide for general regulatory oversight of virtually all aspects of operations. The regulations are primarily intended to protect depositors, customers, and the integrity of the U.S. banking system and capital markets. The following information describes some of the more significant laws and regulations applicable to us. The description is qualified in its entirety by reference to the applicable laws and regulations. Proposals to change the laws and regulations governing the banking industry are frequently raised in Congress, in state legislatures, and with the various bank regulatory agencies. Changes in applicable laws or regulations, or a change in the way such laws or regulations are interpreted by regulatory agencies or courts, may have a material impact on our business operations and earnings.

Dodd-Frank Act

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") became effective. This law has broadly affected the financial services industry by implementing changes to the financial regulatory landscape aimed at strengthening the sound operation of the financial services industry, and will continue to significantly change the current bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies, including the Company and the Bank. Under the Dodd-Frank Act a broad range of new rules and regulations by various federal agencies have been implemented, and further rulemaking must be proposed and adopted which will take effect over several years. Although we have already experienced some decrease in revenue as a result of the rules implemented under the Dodd-Frank Act, the overall financial impact the Act will have on the Company, our customers, or the financial industry in general remains difficult to anticipate.

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 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 Establishing 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 Federal Deposit Insurance Corporation ("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

We are 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 by the Bank are subject to state usury laws and federal laws concerning interest rates. Our 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 is subject to supervision and examination by the Federal Reserve and the South Carolina State Board of Financial Institutions. The Bank is subject to extensive federal and state regulations that significantly affect business and activities. These regulatory bodies have broad authority to implement standards and to initiate proceedings designed to prohibit depository institutions from engaging in activities that represent unsafe or unsound banking practices or constitute violations of applicable laws, rules, regulations, administrative orders, or written agreements with regulators. These regulatory bodies are authorized to take action against institutions that fail to meet such standards, including the assessment of civil monetary penalties, the issuance of cease-and-desist orders, and other actions.

Bank Secrecy Act/Anti-Money Laundering

We are subject to the Bank Secrecy Act and other anti-money laundering laws and regulations, including the USA Patriot Act of 2001. We 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 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

In connection with its lending activities, we are subject to a number of federal laws designed to protect borrowers and promote lending to various sectors of the economy and population. These include the Equal Credit Opportunity Act, the Truth-in-Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, and the Community Reinvestment Act (the "CRA"). In addition, federal banking regulators, pursuant to the Gramm-Leach-Bliley Act, have enacted regulations limiting the ability of banks and other financial institutions to disclose nonpublic consumer information to non-affiliated third parties. The regulations require disclosure of privacy policies and allow consumers to prevent certain personal information from being shared with nonaffiliated third parties. The CRA requires the appropriate federal banking agency, in connection with its examination of a bank, to assess the bank's record in meeting the credit needs of the communities served by the bank, including low and moderate income neighborhoods. Under the CRA, institutions are assigned a rating of "outstanding," "satisfactory," "needs to improve," or "substantial non-compliance."

The Dodd-Frank Act created the Consumer Financial Protection Bureau (the "CFPB") as an agency to centralize responsibility for consumer financial protection, including implementing, examining and enforcing compliance with federal consumer financial laws. The CFPB has begun exercising supervisory review of banks under its jurisdiction. The CFPB is expected to focus its rulemaking in several areas, particularly in the areas of mortgage reform involving the Real Estate Settlement Procedures Act, the Truth in Lending Act, the Equal Credit Opportunity Act, and the Fair Debt Collection Practices Act; however, the content of the final rules and impact to our businesses are uncertain at this time. Additional rulemakings to come under the Dodd-Frank Act will dictate compliance changes for financial institutions. Any such changes in regulations or regulatory policies applicable to the Bank make it difficult to predict the ultimate effect on our financial condition or results of operations.

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 currently operates from three additional locations: 100 North Main Street, Summerville, SC, 1337 Chuck Dawley Boulevard, Mount Pleasant, SC, and 2027 Sam Rittenberg Boulevard, Charleston, South Carolina. The Bank's mortgage department is located at 1071 Morrison Drive, Charleston, SC. On January 28, 2014, we signed a lease to open a banking office on Highway 78 and Ingleside Boulevard , North Charleston, South Carolina in 2016 (copy of the lease incorporated as Exhibit 10.8 in the 2013 10-K). 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 banking location is suitable and adequate for banking operations.

Item 3. Legal Proceedings

In our opinion, there are no other legal proceedings pending other than routine litigation incidental to its business involving amounts which are not material to our financial condition.

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 4,461,388 shares of the 12,000,000 authorized shares of common stock of the Company at the close of our fiscal year ended December 31, 2014. Our common stock is traded on The NASDAQ Capital Market under the trading symbol “BKSC”.

Information regarding the historical market prices of our common stock and dividends declared on that stock is shown below.

		High		Low		Dividends
2014						
Quarter ended March 31, 2014	$	15.90	$	14.62	$	0.13
Quarter ended June 30, 2014	$	15.52	$	14.81	$	0.13
Quarter ended September 30, 2014	$	15.50	$	14.65	$	0.23
Quarter ended December 31, 2014	$	15.26	$	14.26	$	0.13
2013						
Quarter ended March 31, 2013	$	12.46	$	10.72	$	0.12
Quarter ended June 30, 2013	$	13.50	$	12.00	$	0.12
Quarter ended September 30, 2013	$	14.30	$	12.83	$	0.13
Quarter ended December 31, 2013	$	17.20	$	14.04	$	0.13
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

As of February 27, 2015, there were approximately 1,400 shareholders of record with shares held by individuals and in nominee names. The market price for our common stock as of February 27, 2015, was $14.83.

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 our 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 our 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 our September, 2001 Board meeting, the Board of Directors authorized the repurchase of up to 49,912 shares of its common stock on the open market. As of the date of this report, 219,451 shares have been repurchased by the Company with 162 shares remaining that are authorized to be repurchased. At the Annual Meeting April, 2007, the shareholders’ voted to increase the number of authorized shares from 6,000,000 to 12,000,000. As of February 27, 2015, there were 4,680,839 shares of common stock issued and 4,461,388 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, however, to comply with the IRS rules, the Board of Directors approved a restated plan, on January 26, 2012 (incorporated as Exhibit 10.5 in the 2011 10-K). The Plan was submitted to the IRS for approval and a determination letter was issued September 26, 2013, stating that the plan satisfies the requirements of Code Section 4975 (e)(7).

The Board of Directors of the Bank approved cash contributions of $280,000 to The Bank of South Carolina Employee Stock Ownership Plan for the fiscal years ended December 31, 2014 and December 31, 2013, respectively. The Board of Directors of the Bank approved a cash contribution of $285,000 for the fiscal year ended December 31, 2012. The contributions were made during the respective fiscal years.

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

- Employees whose employment is governed by a collective bargaining agreement between employee representatives and the Company in which retirement benefits were the subject of good faith bargaining unless the collective bargaining agreement expressly provides for the inclusion of such employees in the plan
- Employees who are non-resident aliens who do not receive earned income from the Company which constitutes income from sources within the United States
- Any person who becomes an employee as the result of certain asset or stock acquisitions, mergers, or similar transactions (but only during a transitional period)
- Certain leased employees
- Employees who are employed by an affiliated Company that does not adopt the plan
- Any person who is deemed by the Company to be an independent contractor on his or her employment commencement date and on the first day of each subsequent plan year, even if such person is later determined by a court or a governmental agency to be or to have been an employee.

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

A participant becomes vested in the Employee Stock Ownership Plan ("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 Bank is the Plan Administrator. David R. Schools, Fleetwood S. Hassell, Sheryl G. Sharry and Douglas H. Sass, currently serve as the Plan Administrative Committee and as Trustees for the Plan. The Plan currently owns 286,639 shares of common stock of Bank of South Carolina Corporation.

Item 6. Selected Financial Data

Consolidated Financial Highlights

	2014	2013	2012	2011	2010
For December 31:					
Net Income	$ 4,398,820	$ 4,076,924	$ 3,666,828	$ 3,189,318	$ 3,110,513
Selected Year End Balances:					
Total Assets	367,225,802	340,893,703	325,410,646	334,028,769	280,521,267
Total Loans (1)	241,442,873	223,059,647	235,608,502	221,287,699	213,933,980
Investment Securities Available for Sale	113,994,112	94,648,221	58,514,216	59,552,160	39,379,613
Federal Funds Sold	-	-	-	-	19,018,104
Interest-bearing Deposits in Other Banks	5,680,613	16,080,721	25,903,960	47,504,282	715,231
Earning Assets	361,117,598	333,788,589	320,026,678	328,344,141	273,046,928
Deposits	322,419,027	305,242,655	291,073,843	301,127,515	250,436,975
Shareholders' Equity	36,759,982	34,739,143	33,930,442	31,993,869	28,718,882
Weighted Average Shares Outstanding-Diluted	4,576,065	4,461,953	4,445,738	4,439,887	4,416,065
For the Year:					
Selected Average Balances:					
Total Assets	358,774,284	332,092,490	317,438,538	308,509,718	266,061,304
Total Loans (1)	232,281,473	226,267,071	220,780,471	212,960,987	212,960,118
Investment Securities Available for Sale	99,488,314	67,484,036	57,982,652	52,289,136	37,410,074
Federal Funds Sold and Resale Agreements	-	-	-	7,578,169	6,845,910
Interest-bearing Deposits in Other Banks	19,588,597	31,524,293	32,386,509	27,800,598	825,108
Earning Assets	351,358,384	325,275,400	311,149,632	300,628,890	258,041,210
Deposits	319,131,466	296,482,622	283,365,379	276,859,602	233,712,645
Shareholders' Equity	36,283,441	34,800,116	33,415,008	30,429,970	28,606,139
Performance Ratios:					
Return on Average Equity	12.12%	11.72%	10.97%	10.48%	10.87%
Return on Average Assets	1.23%	1.23%	1.16%	1.03%	1.27%
Average Equity to Average Assets	10.11%	10.48%	10.53%	9.86%	10.75%
Net Interest Margin	3.70%	3.79%	3.86%	3.83%	4.30%
Net Charge-offs to Average Loans	.02%	.15%	.01%	.13%	.36%
Allowance for Loan Losses as a Percentage of Total Loans (excluding mortgage loans to be sold)	1.42%	1.51%	1.58%	1.45%	1.41%
Per Share:					
Basic Income	$ 0.99	$ 0.92	$ 0.82	$ 0.72	$ 0.70
Diluted Income	0.96	0.91	0.82	0.72	0.70
Year End Book Value	8.24	7.79	7.63	6.20	6.48
Cash Dividends Declared	0.62	0.50	0.45	0.42	0.40
Dividend Payout Ratio	62.88%	54.63%	54.56%	58.49%	54.27%
Full Time Employee Equivalents	77	77	76	76	72

(1) Including mortgage loans to be sold

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,				
	2014	**2013**	**2012**	**2011**	**2010**
Operating Data:					
Interest and fee income	$ 13,418,254	$ 12,751,792	$ 12,462,859	$ 12,277,604	$ 12,166,183
Interest expense	408,947	416,128	455,619	778,028	1,066,391
Net interest income	13,009,307	12,335,664	12,007,240	11,499,576	11,099,792
Provision for loan losses	82,500	207,500	350,000	480,000	670,000
Net interest income after provision for loan losses	12,926,807	12,128,164	11,657,240	11,019,576	10,429,792
Other income	2,581,083	2,496,417	2,345,463	1,777,957	2,063,697
Other expense	9,111,204	8,717,850	8,731,625	8,260,266	7,998,545
Income before income taxes	6,396,686	5,906,731	5,271,078	4,537,267	4,494,944
Income tax expense	1,997,866	1,829,807	1,604,250	1,347,949	1,384,431
Net income	$ 4,398,820	$ 4,076,924	$ 3,666,828	$ 3,189,318	$ 3,110,513
Basic income per share	$ 0.99	$ 0.92	$ 0.82	$ 0.72	$ 0.70
Diluted income per share	$ 0.96	$ 0.91	$ 0.82	$ 0.72	$ 0.70
Weighted average common shares basic	4,461,388	4,452,642	4,445,738	4,439,887	4,416,065
Weighted average common shares diluted	4,576,065	4,461,953	4,445,738	4,439,887	4,416,065
Dividends per common share	$ 0.62	$ 0.50	$ 0.45	$ 0.42	$ 0.40

	As of December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Balance Sheet Data:					
Investment securities available for sale	$113,994,112	$ 94,648,221	$ 58,514,216	$ 59,552,160	$ 39,379,613
Total loans (1)	241,442,873	223,059,647	235,608,502	221,287,699	213,933,980
Allowance for loan losses	3,334,848	3,292,277	3,432,844	3,106,884	2,938,588
Total assets	367,225,802	340,893,703	325,410,646	334,028,769	280,521,267
Total deposits	322,419,027	305,242,655	291,073,843	301,127,515	250,436,975
Shareholders' equity	36,759,982	34,739,143	33,930,442	31,993,869	28,718,882

(1) Including Mortgage loans to be sold

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 our 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. We desire to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1996 and are 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, 2014 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 uncertainty in the financial service industry

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

All forward-looking statements in this report are based on information available to us as of the date of this report. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that these expectations will be achieved. We 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 with the SEC, in our press releases, and in oral and written statements, 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 $367,225,802 in assets as of December 31, 2014 and net income of $1,191,382 and $4,398,820, respectively, for the three and twelve months ended December 31, 2014. 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.

We derive most of our income from interest on loans and investments (interest-bearing assets). The primary source of funding for making these loans and investments is our interest and non-interest-bearing deposits. Consequently, one of the key measures of the our 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 our interest-bearing liabilities, such as deposits. Another key measure is the spread between the yield we earn on these interest-bearing assets and the rate we pay on our interest-bearing liabilities.

A consequence of lending activities is that we may incur credit losses. The amount of such losses will vary depending upon the risk characteristics of the loan and lease portfolio as affected by economic conditions such as rising interest rates and the financial performance of borrowers. The reserve for credit losses consists of the allowance for loan and lease losses (the "allowance") and a reserve for unfunded commitments (the "Unfunded Reserve"). The allowance provides for probable and estimable losses inherent in our loan and lease portfolio. The Allowance is increased or decreased through the provisioning process. For a detailed discussion on the allowance for loan losses see "Allowance for Loan Losses".

In addition to earning interest on loans and investments, we earn income through fees and other expenses we charge to the customer. The various components of other income and other expenses are described in the following discussion. The discussion and analysis also identifies significant factors that have affected our financial position and operating results as of December 31, 2014 as compared to December 31, 2013 and December 31, 2013 as compared to December 31, 2012, and should be read in conjunction with the consolidated financial statements and the related notes included in this report. In addition, a number of tables have been included to assist in the discussion.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2014 TO DECEMBER 31, 2013

Net income increased $321,896 or 7.90% to $4,398,820, or basic and diluted income per share of $.99 and $.96, respectively, for the year ended December 31, 2014, from $4,076,924, or basic and diluted income per share of $.92 and $.91, respectively, for the year ended December 31, 2013. Our returns on average assets and average equity for the year ended December 31, 2014 were 1.23% and 12.12%, respectively, compared with 1.23% and 11.72%, respectively, for the year ended December 31, 2013.

Net interest income is affected by the size and mix of our balance sheet components as well as the spread between interest earned on assets and interest paid on liabilities. Net interest margin is a measure of the difference between interest income on earning assets and interest paid on interest-bearing liabilities relative to the amount of interest-bearing assets. Net interest income increased $673,643 or 5.46% to $13,009,307 for the year ended December 31, 2014 from $12,335,664 for the year ended December 31, 2013. The increase in net interest income was primarily due to an increase in interest and dividends from investment securities. Average investments increased $32,004,278 or 47.42% for the year ended December 31, 2014 from the year ended December 31, 2013, with a yield of 2.12%. We had an improvement in loan demand demonstrated by the increase in average loans of $6,014,402 to $232,281,473 for the year ended December 31, 2014 from $226,267,071 for the year ended

December 31, 2013. The yield on average loans decreased from 4.94% for the year ended December 31, 2013 to 4.85% for the year ended December 31, 2014. The increase in average investment securities and average loans, contributed to the increase in total average interest-bearing assets of $26,082,984 or 8.02% to $351,358,384 for the year ended December 31, 2014. Our average interest-bearing deposits increased $7,303,042 or 3.48% to $217,411,425 for the year ended December 31, 2014 from $210,108,383 for the year ended December 31, 2013. This increase was primarily due to larger balances in existing customer accounts as well as the opening of new accounts. The yield on these deposits remained relatively unchanged from .20% for the year ended December, 2013 to .19% for the year ended December 31, 2014.

We believe the allowance for loan losses at December 31, 2014, is adequate to cover estimated losses in our loan portfolio; however, assessing the adequacy of the allowance is a process that requires considerable judgment. Our judgments are based on numerous assumptions about current events which we believe 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 our 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 our operating results.

During 2014, the Company recorded net charge-offs of $39,929 as compared to net charge-offs of $348,067 in 2013. We believe 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, 2014 totaled $7,051,127, a decrease of 1.20% over total impaired loans of $7,136,907 at December 31, 2013. Our impaired loans included non-accrual loans of $882,413 and two restructured loans ("TDR") totaling $466,541 at December 31, 2014. At December 31, 2013, impaired loans included non-accrual loans of $1,575,441 and four TDR's totaling $1,196,341. There were three loans over 90 days past due still accruing interest at December 31, 2014. This resulted from unusual circumstances with two customers that have had a long-term relationship with the bank. The customers are currently working to bring the loans current with improved cash flow in their respective businesses. There were no loans over 90 days past due still accruing interest at December 31, 2013. (For further discussion, see "Loans" in the notes to the consolidated financial statements).

Other income increased $84,666 or 3.39% to $2,581,083 for the year ended December 31, 2014. This increase was primarily due to a gain on the sale of investment securities of $312,577. Mortgage banking income is highly influenced by mortgage interest rates and the housing market. Our mortgage banking income decreased $206,650 or 13.58% to $1,315,020 for the year ended December 31, 2014 from $1,521,670 for the year ended December 31, 2013. This decrease was primarily due to fewer mortgage applications and lower production volume as interest rates and home prices increased on average in 2014 compared to 2013.

Our other expense increased $393,354 to $9,111,204 for the year ended December 31, 2014 from $8,717,850 for the year ended December 31, 2013. A large component of other expense is salaries and employee benefits. Salaries include payments to employees as well as employee insurance, including workers compensation, employee education and taxes. Salaries and employee benefits increased $275,231 or 5.30% to $5,466,446 for the year ended December 31, 2014 from $5,191,215 for the year ended December 31, 2013. This increase was primarily due to an increase in base wages, workers compensation insurance and employee health insurance. Net occupancy expense also increased $67,020 for the year ended December 31, 2014 or 4.76% from $1,406,680 for the year ended December 31, 2013. This increase was primarily due to an increase in rent paid on our Summerville, Meeting Street and Mortgage Department locations and an increase in depreciation expense on equipment of $11,410 for the year ended December 31, 2014.

For the year ended December 31, 2014, our effective tax rate was 31.23% compared to 30.98% during the year ended December 31, 2013.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2013 TO DECEMBER 31, 2012

Net income increased $410,096 or 11.18% to $4,076,924 or basic and diluted income per share of $.92 and $.91, respectively for the year ended December 31, 2013 from $3,666,828 or basic and diluted income per share of $.82 and $.82, respectively for the year ended December 31, 2012. Our return on average assets and average equity for the year ended December 31, 2013 were 1.23% and 11.72%, respectively, compared with 1.16% and 10.97%, respectively, for the year ended December 31, 2012.

Our higher income was primarily due to the following:

- Interest and fees on loans increased $155,821 or 1.41% to $11,188,748. Outstanding loans increased $1,191,680 or 0.55% as a result of an improving market leading to an increase in loan demand. Average loans increased $5,486,600 with a yield of 4.94% for the year ended December 31, 2013, from $220,780,471 for the year ended December 31, 2012 and a yield of 5.00%.

- Interest and dividends on investment securities increased $135,074 or 10.02% to $1,482,594 for the year ended December 31, 2013, from $1,347,520 in 2012. We were earning .25% on our funds deposited at the Federal Reserve. This low rate coupled with a rising yield curve gave us reason to invest our excess cash in investment securities. Average investments increased $9,501,384 to $67,484,036 with a yield of 2.20%

- The provision for loan losses decreased $142,500 to $207,500 for the year ended December 31, 2013. This decrease was primarily due to improving credit quality and as well as the improvement in the underlying risk profile of our loan portfolio.

- Mortgage banking income increased $143,782 for the twelve months ended December 31, 2013. Mortgage banking income was $1,521,670 in 2013, compared to $1,377,888 in 2012. This increase was due to obtaining better margins (discounts earned and service release premiums) selling loans on the secondary market. Our software's pricing engine allowed a side by side comparison allowing us to execute the most profit on each loan sold. Mortgage discount points, a form of interest, increased $301,378 to $1,547,649 for the twelve months ended December 31, 2013.

- Other operating expenses decreased $209,412 or 8.99% for the twelve months ended December 31, 2013. With the introduction of new banking products such as remote deposit capture, we were able to reduce the cost of our courier service by $58,605 for the twelve months ended December 31, 2013 compared to the same period in 2012. Data processing fees decreased $115,731 as a result of the renegotiation of our contract. Professional audit and legal fees were reduced by $45,500 and $55,823, respectively. We lowered our audit fees by hiring a Risk Management Officer who conducts our Sarbanes Oxley Act testing in-house. Legal fees were reduced as the result of fewer cases brought by the Company or those against the Company which required legal review. Offsetting these decreases was an increase of $73,980 in sundry losses from $6,102 in 2012 to $80,081 in 2013. This loss resulted from fraud by persons outside the Company. We believe that our internal controls have been designed to minimize losses. However, there are no assurances that a loss will not occur.

Net interest income is affected by the size and mix of our balance sheet components as well as the spread between interest earned on assets and interest paid on liabilities. Net interest margin is a measuring of the difference between interest income on earning assets less interest paid on interest-bearing liabilities relative to the amount of interest-bearing assets. Net interest income increased $328,424 to $12,335,664 for the year ended December 31, 2013, from $12,007,240 for the year ended December 31, 2012. Our average earning assets increased $14,125,768 in 2013 as compared to 2012. Average loans increased $5,486,600 with a yield of 4.94%, a decrease of 6 basis points. We made a decision to invest some of our excess cash in securities rather than leaving it at the Federal Reserve where it was earning .25%. Average investments increased $9,501,384 with a yield of 2.20%. Total yield on our average earnings assets decreased 9 basis points from 4.01% in 2012 to 3.92% in 2013. Our net interest margin decreased 7 basis points to 3.79% in 2013 from 3.86% in 2012.

Average interest-bearing deposits increased $4,536,053 to $210,108,383 in 2013, with a total yield of .20%, a decrease of 2 basis points from .22% at December 31, 2012. Our interest paid on deposits decreased $39,491 or 8.67% to $416,128 in 2013 compared to $455,619 in 2012. Rates paid on transaction accounts and savings accounts remained unchanged from 2012 to 2013. The rate paid on certificates of deposit decreased 11 basis points from .54% in 2012 to .43% for the year ended December 31, 2013.

The provision for loan losses reflects our judgment of the expense necessary to achieve the appropriate amount of the allowance. We maintain the allowance at levels adequate to cover our estimate of probable credit losses as of the balance sheet date presented. The allowance is determined through detailed analyses of our loan portfolio. The allowance is based on our loss experience and changes in the economic environment, as well as an ongoing assessment of our credit quality. We recorded a provision of $207,500 in 2013 and $350,000 in 2012. The lower provision recorded in 2013 was reflective of continued improvements in our credit quality metrics. For further discussion on the allowance, see "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 2013, the Company recorded net charge-offs of $348,067 as compared to net charge-offs of $24,040 in 2012. The variance between 2013 and 2012 can be attributed to an unexpected large recovery in 2012. 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, 2013 totaled $7,136,907, a decrease of 37.93% over total impaired loans of $11,498,279 at December 31, 2012. Our impaired loans included non-accrual loans of $1,575,440 and four restructured loans (TDR) totaling $1,196,341 at December 31, 2013. Impaired loans include non-accrual loans of $3,993,816 and five restructured loans (TDR) totaling $1,618,278 at December 31, 2012. At December 31, 2012 there was one credit totaling $2,623,556 which was entirely secured by a first mortgage. This loan paid off in the second quarter of 2013. There were no loans over 90 days past due still accruing interest at December 31, 2013 or December 31, 2012.

Other income increased $150,954 or 6.44% to $2,496,417 in 2013. As previously stated, our mortgage banking income increased $143,782 or 10.44% due to obtaining better margins (discounts earned and SRP) selling loans on the secondary market. Our software's pricing engine allowed a side by side comparison allowing us to execute the most profit on each loan. Although the economy in our market area is improving, we began to see a decrease in loan originations in the third and fourth quarters of 2013. This decrease comes as a result of increasing interest rates and the increase in home prices. We saw a clear shift from refinancing to home purchases in 2013.

Our other expense decreased $13,775 from $8,731,625 in 2012 to $8,717,850 in 2013. Salaries and employee benefits increased $145,802 in 2013 as a result of annual merit increases and the addition of a mortgage loan originator and a Risk Management Officer. In addition, health insurance increased $50,693 and workers compensation insurance expense increased $19,111. The increase in health insurance expense can be attributed to the addition of two employees and a rate increase. Workers compensation increased as a result of an audit performed by the insurance company on the Company's 2012 insurance coverage. As previously noted above, we saw a decrease in other operating expenses of $209,412. This decrease was primarily due to the decrease in courier service fees, data processing fees, and professional audit and legal fees. We offer a courier service to pick up our business customers' deposits. We also offer remote deposit capture to our business customers. Many of our business customers opted to use remote deposit capture which allowed us to cut our courier expense by 36% from $159,943 for the year ended December 31, 2012 to $101,338 in 2013. Data processing fees decreased $115,731 as the result of the renegotiation of our contract. Professional audit and legal fees were reduced by $45,500 and $55,823, respectively. We lowered our audit fees by hiring a Risk Management Officer who conducts our Sarbanes Oxley Act testing in-house. Legal fees were reduced as the result of fewer cases brought against the Company requiring legal review. In 2012 we had two cases brought against the Company, one of which was heard by the South Carolina Supreme Court, resulting in higher legal fees in 2012 as compared to 2013. Offsetting the decreases in expenses described above was an increase of $73,979 in sundry losses from $6,102 in 2012 to $80,081 in 2013. This loss resulted from fraud by persons outside the Company. We believe that our internal controls have been designed to minimize losses; however, there are no assurances that a loss will not occur.

Income tax expense increased 14.06% to $1,829,807 at December 31, 2013 from $1,604,250 at December 31, 2012. The Company's effective tax rate was approximately 30.98% for the year ended December 31, 2013 compared to 30.44% for the year ended December 31, 2012.

CRITICAL ACCOUNTING POLICIES

We have 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 our consolidated financial statements. Our significant accounting policies are set forth in the notes to the 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. We consider these accounting policies to be critical accounting policies. The judgment and assumptions we use are based on historical experience and other factors, which we believe to be reasonable under the circumstances. Because of the number of judgments and assumptions that we make, actual results could differ from these judgments and estimates that could have a material impact on the carrying values of our assets and liabilities and our results of operations.

We consider our policy regarding the allowance for loan losses to be our most subjective accounting policy due to the significant degree of judgment. We have developed what we believe 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 our loan portfolio. Our 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 at the time of the issuance of the consolidated financial statements. For additional discussion concerning our allowance for loan losses and related matters, see "Allowance for loan losses".

ASSET AND LIABILITY MANAGEMENT

We manage our assets and liabilities to ensure 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 deposits, principal and interest payments on loans, mortgage loan sales, the sale or maturity of securities, temporary investments and earnings. The responsibility of managing asset and liability procedures is directed by the Asset and Liability Committee ("ALCO") with the ultimate responsibility resting with the Chief Executive Officer. At year-end 2014, total assets were $367,225,802, an increase of 7.72% from year-end 2013; total deposits were $322,419,027, an increase of 5.63% from the end of the previous year.

At December 31, 2014, approximately 98.34% of our assets were earning assets composed of U.S. Treasury, Government Sponsored Enterprises and Municipal Securities in the amount of $113,994,112, interest-bearing deposits in other banks in the amount of $5,680,613 and total loans including mortgage loans held for sale in the amount of $241,442,873.

The yield on a majority of our 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 interest rates. Our risk is constituted primarily of interest rate risk in our lending and investing activities as they relate to their funding by deposit and borrowing activities.

Our 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 six-month period. By adhering to this policy, we anticipate that our net interest margins will not be materially affected unless there is an extraordinary precipitous change in interest rates. The average net interest rate spread for 2014 decreased to 3.63% from 3.72% for 2013 and the average net interest margin for 2014 decreased to 3.70% from 3.79% for 2013. At December 31, 2014, we were in a liability sensitive position over a six month time period compared to an asset sensitive position over the same time period at December 31, 2013. The reason for the shift in sensitivity is the direct result of management's decision during 2014 to invest excess funds held at the Federal Reserve earning 0.25% into higher-yielding fixed rate investment securities that match our investment policy objectives. Management is aware of this temporary departure from policy and will continue to closely monitor our sensitivity position going forward.

Since the rates on most of our interest-bearing liabilities can vary on a daily basis, we continue 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, we offer certain fixed rates, interest rate floors, and terms primarily associated with real estate transactions. We seek stable, long-term deposit relationships to fund our loan portfolio. Furthermore, we do not have any brokered deposits or internet deposits.

At December 31, 2014, the average maturity of the investment portfolio was four years 7.85 months with an average yield of 2.12% compared to four years 2.64 months with an average yield of 2.20% at December 31, 2013. Although there is greater market risk with maturity extension, we feel that our core deposit base minimizes the need to sell securities, and the maturity extension of the investment portfolio improves the yield on the portfolio.

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

The following table summarizes our interest sensitivity position as of December 31, 2014:

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)	$ 150,797	$ 15,399	$ 12,676	$ 14,014	$ 48,018	$ 539	$ 241,443	$ 234,204
Investment securities (2)	-	4,405	3,749	170	43,302	60,395	112,021	113,994
Short term investments	5,681	-	-	-	-	-	5,681	5,681
Total	$ 156,478	$ 19,804	$ 16,425	$ 14,184	$ 91,320	$ 60,934	$ 359,145	$ 353,879
Interest-bearing Liabilities (in 000's)								
CD's and other time deposits 100,000 and over	$ -	$ 16,828	$ 15,637	$ 12,145	$ 1,231	$ -	$ 45,841	$ 45,853
CD's and other time deposits under 100,000	88	4,642	4,742	5,388	1,120	-	15,980	15,985
Money market and interest bearing demand accounts	126,848	-	-	-	-	-	126,848	126,848
Savings	26,678	-	-	-	-	-	26,678	26,678
Securities sold under agreement to repurchase	6,981	-	-	-	-	-	6,981	6,981
Total	$ 160,595	$ 21,470	$ 20,379	$ 17,533	$ 2,351	$ -	$ 222,328	$ 222,345
Net	$ (4,117)	$ (1,666)	$ (3,954)	$ (3,349)	$ 88,969	$ 60,934	$ 136,817	$ 131,534
Cumulative		$ (5,783)	$ (9,737)	$ (13,086)	$ 75,883	$ 136,817		

(1) Including mortgage loans to be sold and deferred fees.
(2) At amortized cost

LIQUIDITY

Historically, we have maintained our 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, 2014:

	Payment Due by Period			
	Total	**Less than 1 Year**	**1-5 Years**	**After 5 Years**
Contractual Obligations (in 000's)				
Time deposits	$ 61,821	$ 59,470	$ 2,351	$ -
Operating leases	8,972	609	2,450	5,913
Total contractual cash obligations	$ 70,793	$ 60,079	$ 4,801	$ 5,913

We manage our assets and liabilities to ensure that there is sufficient liquidity to enable us 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 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 we are able to take advantage of new business opportunities as well as meet the credit needs of our existing customers. Investment securities are an important tool in our liquidity management. Our primary liquid assets are cash and due from banks, federal funds sold, investments available for sale, other short-term investments and mortgage loans held for sale. Our primary liquid assets accounted for 35.86% and 35.65% of total assets at December 31, 2014 and 2013, respectively. 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 are classified as Available for Sale. Net cash provided by operations and deposits from customers have been the primary sources of liquidity. At December 31, 2014, we had unused short-term lines of credit totaling approximately $13 million (which can be withdrawn at the lender's option). Additional sources of funds available to us 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, we established a $6 million REPO Line with Raymond James (formerly Morgan Keegan). There have been no borrowings under this agreement. We also established a Borrower-In-Custody arrangement with the Federal Reserve. This arrangement permits us to retain possession of assets pledged as collateral to secure advances from the Federal Reserve Discount Window. At December 31, 2014, we could borrow up to $71 million. There have been no borrowings under this arrangement.

Our core deposits consist of non-interest bearing accounts, NOW accounts, money market accounts, time deposits and savings accounts. We closely monitor our reliance on certificates of deposit greater than $100,000 and other large deposits. We maintain a Contingency Funding Plan ("CFP") that identifies liquidity needs and weighs alternate courses of action designed to address these needs in emergency situations. We perform a quarterly cash flow analysis and stress test the CFP to evaluate the expected funding needs and funding capacity during a liquidity stress event. We believe our liquidity sources are adequate to meet our operating needs and do not know of any trends, events or uncertainties that may result in a significant adverse effect on our liquidity position. At December 31, 2014 and 2013, our liquidity ratio was 29.72% and 25.22%, respectively.

Composition of Average Assets

	2014	2013	2012	2011	2010
Loans (1)	$ 232,281,473	$ 226,267,071	$ 220,780,471	$ 212,960,987	$ 212,960,118
Investment securities available for sale	99,488,314	67,484,036	57,982,652	52,289,136	37,410,074
Federal funds sold and other investments	19,588,597	31,524,293	32,386,509	35,378,767	7,671,018
Non-earning assets	7,415,900	6,817,090	6,288,906	7,880,828	8,020,094
Total average assets	$ 358,774,284	$ 332,092,490	$ 317,438,538	$ 308,509,718	$ 266,061,304

(1) Including mortgage loans to be sold and deferred fees.

Average earning assets increased by $26,082,984 from 2013 to 2014. This increase was primarily due to a $6,014,402 increase in average loans and a $32,004,278 increase in average available for sale securities, offset by a $11,935,696 decrease in average Federal funds sold and other investments. We have seen an increase in loan demand primarily due to our business development efforts coupled with an improving economy. Meanwhile, with the continued low rates coupled with a rising yield curve, we have invested our excess cash into U.S. Treasury Securities and Federal Agency Securities.

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:

	2014 vs. 2013			2013 vs. 2012			2012 vs. 2011		
	Volume	Rate	Net Dollar Change (1)	Volume	Rate	Net Dollar Change (1)	Volume	Rate	Net Dollar Change (1)
Loans (2)	$ 294,070	$ (219,770)	$ 74,300	$ 272,159	$ (116,338)	$ 155,821	$ 394,189	$ (248,971)	$ 145,218
Investment securities available for sale	679,162	(56,281)	622,881	211,761	(76,687)	135,074	136,421	(98,644)	37,777
Other short-term investments	(30,304)	(415)	(30,719)	(2,200)	238	(1,962)	5,275	(3,015)	2,260
Interest Income	$ 942,928	$ (276,466)	$ 666,462	$ 481,720	$ (192,787)	$ 288,933	$ 535,885	$ (350,630)	$ 185,255
Interest-bearing transaction accounts	$ (203)	$ 68	$ (135)	$ (2,491)	$ (962)	$ (3,453)	$ (11,366)	$ (35,318)	$ (46,684)
Savings	4,584	107	4,691	2,734	52	2,786	4,631	(3,598)	1,033
Time deposits	15,375	(27,793)	(12,418)	24,359	(63,183)	(38,824)	(38,143)	(238,615)	(276,758)
Securities sold under agreement to repurchase	681	-	681	-	-	-	-	-	-
Interest expense	$ 20,437	$ (27,618)	$ (7,181)	$ 24,602	$ (64,093)	$ (39,491)	$ (44,878)	$ (277,531)	$ (322,409)
Increase in net interest income			$ 673,643			$ 328,424			$ 507,664

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

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

	2014			2013			2012		
	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)	$ 232,281,473	$ 11,263,048	4.85%	$ 226,267,071	$ 11,188,748	4.94%	$ 220,780,471	$ 11,032,927	5.00%
Investment securities available for sale	99,488,314	2,105,475	2.12%	67,484,036	1,482,594	2.20%	57,982,652	1,347,520	2.32%
Other short-term investments	19,588,597	49,731	0.25%	31,524,293	80,450	0.26%	32,386,509	82,412	0.25%
Total earning assets	$ 351,358,384	$ 13,418,254	3.82%	$ 325,275,400	$ 12,751,792	3.92%	$ 311,149,632	$ 12,462,859	4.01%
Interest-Bearing Liabilities:									
Interest-bearing transaction accounts	$ 128,932,314	$ 125,247	0.10%	$ 129,141,564	$ 125,382	0.10%	$ 131,701,874	$ 128,835	0.10%
Savings	23,189,946	27,709	0.12%	19,353,286	23,018	0.12%	17,054,154	20,232	0.12%
Time deposits	65,289,165	255,310	0.39%	61,613,533	267,728	0.43%	56,816,302	306,552	0.54%
Securities sold under agreement to repurchase	2,426,044	681	0.03%	-	-	0.00%	-	-	0.00%
Total interest-bearing liabilities	$ 219,837,469	$ 408,947	0.19%	$ 210,108,383	$ 416,128	0.20%	$ 205,572,330	$ 455,619	0.22%
Net interest spread			3.63%			3.72%			3.78%
Net interest margin			3.70%			3.79%			3.86%
Net interest income		$ 13,009,307			$ 12,335,664			$12,007,240	

(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 to be sold.

INVESTMENT PORTFOLIO

The following is a schedule of our investment portfolio as of December 31, 2014, 2013, and 2012:

	DECEMBER 31, 2014			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Notes	$ 29,162,412	$ 105,627	$ 19,758	$ 29,248,281
Government-Sponsored Enterprises	50,194,951	95,961	148,263	50,142,649
Municipal Securities	32,663,698	1,973,743	34,259	34,603,182
Total	$ 112,021,061	$ 2,175,331	$ 202,280	$ 113,994,112

	DECEMBER 31, 2013			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Notes	$ 15,841,901	$ 58,429	$ 67,929	$ 15,832,401
Government-Sponsored Enterprises	43,582,119	363,981	311,062	43,635,038
Municipal Securities	33,706,898	1,599,638	125,754	35,180,782
Total	$ 93,130,918	$ 2,022,048	$ 504,745	$ 94,648,221

	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

Our investment portfolio had a weighted average yield of 2.12%, 2.20%, and 2.32% for the years ended December 31, 2014, 2013, and 2012, respectively.

At December 31, 2014 we had two US Treasury Notes with an unrealized loss of $19,758, seven Agency Notes with an unrealized loss of $148,263 and three Municipal Securities with an unrealized loss of $34,259, compared to three US Treasury Notes with an unrealized loss of $67,929, five Agency Notes with an unrealized loss of $311,062, and six Municipal Securities with an unrealized loss of $125,754, at December 31, 2013, and one Municipal Security with an unrealized loss of $3,592 at December 31, 2012. 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. Therefore, these investments are not considered other-than-temporarily impaired. We have the ability to hold these investments until market price recovery or maturity.

Due to the increase in deposits we were able to invest such excess cash in investment securities to improve our earnings yield.

The primary purpose of the investment portfolio is to fund loan demand, to help manage fluctuations in deposits and liquidity, to satisfy pledging requirements and, at the same time, to generate a favorable return on investment. In doing these things, our main objective is to adhere to sound investment practices. To that end, all purchases and sales of investment securities are made through reputable securities dealers that have been approved by the Board of Directors, who also review the entire investment portfolio at each regular monthly meeting. In addition, we report to the Board on a monthly basis any purchases, sales, calls, and maturities during the previous month. Furthermore, a financial underwriting review of all municipal securities and their corresponding municipalities is conducted annually by Credit Personnel and reviewed by management.

LOAN PORTFOLIO COMPOSITION

We focus our lending activities on small and middle market businesses, professionals and individuals in our geographic markets. At December 31, 2014, outstanding loans (plus deferred loan fees of $89,441) totaled $234,117,792, which equaled 72.61% of total deposits and 63.75% of total assets. Substantially all loans were to borrowers located in our market area of Charleston, Dorchester and Berkeley counties of South Carolina.

The quality of our loan portfolio is contingent upon our risk selection and underwriting practices. All new credit (except for mortgage loans in the process of being sold to investors and loans secured by properly margined negotiable securities traded on an established market or other cash collateral) with over $200,000 in exposure is summarized by our Credit Department and reviewed by the Loan Committee on a monthly basis. The Board of Directors review credits over $500,000 monthly with annual credit analyses conducted on these borrowers upon the receipt of updated financial information. Prior to any extension of credit, every loan request 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 following is a schedule of our loan portfolio, excluding both mortgage loans to be sold and deferred loan fees, as of December 31, 2014, as compared to the prior four years:

Book Value (in 000's)
As of December 31,

Type	**2014**	**2013**	**2012**	**2011**	**2010**
Commercial and industrial loans	$ 49,643	$ 53,183	$ 54,959	$ 55,836	$ 52,216
Real estate loans	179,238	160,819	157,525	152,665	149,710
Loans to individuals for household, family and other personal expenditures	4,989	4,029	4,365	4,928	5,868
All other loans (including overdrafts)	158	223	159	221	214
Total Loans (excluding unearned income)	$ 234,028	$ 218,254	$ 217,008	$ 213,650	$ 208,008

We had no foreign loans or loans to fund leveraged buyouts ("LBO's") at any time during the years ended December 31, 2010 through December 31, 2014.

The following table presents the contractual terms to maturity for loans outstanding at December 31, 2014. Demand loans, loans having no stated schedule of repayment or 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 our actual principal experience to differ from that shown.

SELECTED LOAN MATURITY (IN 000'S)
AT DECEMBER 31, 2014

Type	**One year or less**	**Over one but less than five years**	**Over five years**	**Total**
Commercial and industrial loans	$ 26,436	$ 22,461	$ 746	$ 49,643
Real estate loans	52,335	83,806	43,097	179,238
Loans to individuals for household, family and other personal expenditures	2,285	2,571	133	4,989
All other loans (including overdrafts)	58	-	100	158
Total Loans (excluding unearned income)	$ 81,114	$ 108,838	$ 44,076	$ 234,028

IMPAIRED LOANS

A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. All loans placed on non-accrual status are classified as impaired. However, not all impaired loans are on non-accrual status nor do they all represent a loss.

Impairment loss is measured by:

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

The following is a schedule of our impaired loans (non-accrual loans included) and non-accrual loans.

Impaired Loans				
At December 31,				
2014	2013	2012	2011	2010
$7,051,127	$7,136,907	$11,498,279	$7,417,892	$3,559,528
Non-Accrual Loans				
At December 31,				
2014	2013	2012	2011	2010
$882,413	$1,575,440	$3,993,816	$923,671	$945,328

TROUBLED DEBT RESTRUCTURING

According to GAAP, we are required to account for certain loan modifications or restructuring as a troubled debt restructuring ("TDR"), when appropriate. In general, the modification or restructuring of a debt is considered a TDR if we, for economic or legal reasons related to a borrower's financial difficulties, grant a concession to the borrower that we 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. We grant a concession that we would not otherwise consider.

We had two TDR's at December 31, 2014 that totaled $466,541, four TDR's in the amount of $1,196,341 at December 31, 2013, 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, and one TDR at December 31, 2010 of $153,015. During the year ended December 31, 2014 a loan receivable with a balance of $496,090, was removed from TDR status. The borrower consistently paid as agreed and made substantial reductions to principal. Refinance guidance Financial Accounting Standards Board Accounting Standards Codification ("ASC") 310-20-35-9 allows for a loan to be removed from TDR status if the terms of the loan reflect current market rates and the loan has been performing under modified terms for an extended period of time or under certain circumstances. Although we have removed the TDR status from this loan, it will remain classified as an impaired loan and will continue to be recorded, evaluated and disclosed as such. In addition, one loan receivable with a balance of $106,194 at December 31, 2013, was paid off during the year ended December 31, 2014.

We do 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 our best interest to determine the fair market value by engaging an independent appraisal within 30 days of property being acquired into OREO. We can't hold the property for a period of more than five years unless we have prior approval from the Commissioner of Banking of the State Board of Financial Institutions. The Bank will pay property taxes along with insurance expenses until the property is sold. OREO at December 31, 2014 consisted of one loan in the amount of $521,943. One loan receivable valued at $35,473 was moved to OREO during the year ended December 31, 2014, and ultimately sold at a gain of $2,382. We had no OREO during the years ended December 31, 2011 thru December 31, 2013. OREO at December 31, 2010 was $659,492. This property was sold during the year ended December 31, 2011 for a loss of $63,273.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses represents our estimate of probable losses inherent in our 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. To remain GAAP compliant, the methodology employed for this analysis has been modified over the years to reflect the economic environment. This allowance is reviewed on a monthly basis by Credit Personnel (who have no lending authority nor complete the allowance). In addition, the allowance is validated on a periodic basis by an independent party. The 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”) “receivables” topic ASC 310-10-35.
2) General reserve analysis applying historical loss rates based on FASB “contingencies” topic 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 we are provided information that indicates we will not collect all principal and interest as scheduled

The aforementioned methodology applies to both secured and unsecured loans, yet it 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. This analysis 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 five-year period. The five-year average loss ratio by type is then used to calculate the estimated loss based on the current balance of each group. The five-year historical loss percentage was .172% at December 31, 2014. We used a three-year historical loss ratio at December 31, 2013, resulting in a historical loss percentage of .147%. In the second quarter of 2014, we moved from a three-year historical ratio to a five-year historical loss ratio to better reflect the economic cycle.

Qualitative and environmental factors include external risk factors that we believe are representative of our overall lending environment. We believe that the following factors create a more comprehensive system of controls in which we 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 our 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. We are satisfied with the stability of the past due and non-performing loans and believe there has been no decline in the quality of our loan portfolio due to any trend in delinquent or adversely classified loans. Sizable unsecured principal balances on a non-amortizing basis are monitored. Although the vast majority of our real estate loans are underwritten on a cash flow basis, the secondary source of repayment is typically tied to our ability to realize on the collateral. Accordingly, we closely monitor loan to value ratios. The maximum collateral advance rate is 80% on all real estate transactions, with the exception of raw land at 65% and land development at 70%.

Occasionally, we extend credit beyond our normal collateral advance margins in real estate lending. Although infrequent, the aggregate of these loans represent a notable part of our 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. We often request 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 $37 million), the number of overmargined real estate loans currently totals approximately $15,667,454 or approximately 6.49% of our loan portfolio at December 31, 2014 compared to $20,415,979 or approximately 9.15% of the loan portfolio at December 31, 2013.

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 the following 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 our standards and expectations of loan quality. One hundred percent of our loans are graded.

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 us and are incorporated into the qualitative risk factors. Natural and environmental disasters, political uncertainty, international instability, as well as problems in the traditional mortgage market are a few of the trends and conditions that are currently affecting the national and local economies. These changes 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 our loan portfolio is contingent upon our risk selection and underwriting practices. Every credit with over $200,000 in exposure is summarized by our Credit Department and reviewed by the Loan Committee on a monthly basis. The Board of Directors reviews credits over $500,000 monthly with annual credit analyses conducted on these borrower 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 a detailed cash flow on each proposal using the most current financial information.

We have over 350 years of lending experience among our lending staff. In addition to the lending staff, we have an Advisory Board for each office comprised of business and community leaders from the specific office market area. An additional Advisory Board was created during the year ended December 31, 2012, to support our business efforts in the North Charleston area of South Carolina. The Bank recently announced its intention to open an office in North Charleston, South Carolina on Highway 78 and Ingleside Boulevard. As noted previously, we have signed a lease with an anticipated opening in 2016. We meet with these advisory boards quarterly to discuss the trends and conditions in each respective market. We are aware of the many challenges currently facing the banking industry. As other banks look to increase earnings in the short term, we will continue to emphasize the need to maintain safe and sound lending practices and core deposit growth.

There continues be an influx of new banks in our geographic area. This increase has decreased the local industry's overall margins as a result of pricing competition. We believe that our borrowing base 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, 2014, there were only four Standard Industrial Code groups that comprised more than 2% of our 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.

We are located along the coast and on an earthquake fault, increasing the chances that a natural disaster may impact us and our borrowers. We have a Disaster Recovery Plan in place; however, the amount of time it would take for our customers to return to normal operations is unknown. Our plan is reviewed and tested annually.

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

The majority of our loan portfolio is collateralized with a variety of our borrowers' assets. The execution and monitoring of the documentation to properly secure the loan is the responsibility of our lenders and Loan Department. We require insurance coverage naming us 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. Recent legislation passed by Congress addresses the need for reform to the National Flood Insurance Program. This legislation, known as the Biggert Waters Flood Insurance Reform and Modernization Act of 2012, has resulted in significant unintended consequences causing dramatic increases in the cost of flood insurance coverage and its potential unaffordability. However, on March 14, 2014 the President signed the 2014 Homeowner Flood Insurance Affordability Act. This new law allows most properties to retain their subsidized premiums. Annual rate increases are also limited to 18% per year and the grandfather plan has been reinstated. In addition, the new law requires the Federal Management Agency ("FEMA") to refund policy holders who overpaid for premiums under the Biggert Waters Flood Insurance Reform and Modernization Act of 2012.

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 us. Our policy requires all new loans (with a credit exposure of $10,000 or more), regardless of the customer's history with us, to have updated financial information. In addition, we monitor appraisals closely as real estate values continue to fluctuate.

Based on our allowance for loan loss model, we recorded a provision for loan loss of $82,500 for the year ended December 31, 2014 compared to $207,500 for the year ended December 31, 2013. At December 31, 2014 the five-year average loss ratios were: .157% Commercial, .622% Consumer, .359% 1-4 Residential, .000% Real Estate Construction and .088% Real Estate Mortgage. The five-year historical loss ratio used at December 31, 2014 was .172% compared to a three year historical loss ratio of .147% at December 31, 2013. During the second quarter of 2014, we moved from a three-year historical loss ratio to better reflect the economic cycle.

During the year ended December 31, 2014, charge-offs of $113,030 and recoveries of $73,101 were recorded to the allowance for loan losses, resulting in an allowance for loan losses of $3,334,848 or 1.38% of total loans at December 31, 2014, compared to charge-offs of $391,401 and recoveries of $43,334 resulting in an allowance for loan losses of $3,292,277 or 1.48% of total loans at December 31, 2013.

We had impaired loans totaling $7,051,127 as of December 31, 2014 compared to $7,136,907 at December 31, 2013. Impaired loans include non-accrual loans with balances at December 31, 2014, and 2013, of $882,413 and $1,575,440, respectively and TDR's with balances at December 31, 2014 and 2013 of $466,541 and $1,196,341, respectively. We had two restructured loans at December 31, 2014 and four restructured loans at December 31, 2013. According to GAAP, we are 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 we, for economic or legal reasons related to a borrower's financial difficulties, grant a concession to the borrower that we would not otherwise consider. During the year ended December 31, 2014, a loan receivable with a balance of $596,125 at December 31, 2013, was removed from a TDR status. The borrower consistently paid as agreed and made substantial reductions to principal. Refinance guidance ASC 310-20-35-9 allows for a loan to be removed from the TDR status if the terms of the loan reflect current market rates. To be in compliance with its modified terms, a loan that is a TDR must not be in nonaccrual status and must be current or less than 30 days past due on its contractual principal and interest payments under the modified repayment terms. Although we have removed the TDR status from this loan, it will remain classified as an impaired loan and will continue to be recorded, evaluated and disclosed as such. The balance of this loan was $494,933 at December 31, 2014. In addition, another loan receivable classified as a TDR with a balance of $106,194 at December 31, 2013, was paid off during the year ended December 31, 2014. We do 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 we deem it appropriate. If non-accrual loans decrease their past due status to less than 30 days for a period of six to nine months, they are reviewed individually to determine if they should be returned to accrual status. There were three loans over 90 days past due still accruing interest at December 31, 2014. This resulted from unusual circumstances with two customers that have had a long-term relationship with the bank. The customers are currently working to bring the loans current with improved cash flow in their respective businesses. There were no loans over 90 days past due still accruing interest at December 31, 2013.

One loan receivable reported with a non-accrual status, in the amount of $61,959 at December 31, 2013, was returned to accrual status during the year ended December 31, 2014. The borrower had a documented change in income and employment. In addition, the customer made payments consistently, reducing their past due status to less than 30 days for a period of over 6 months. All principal and interest are current and repayment of the remaining contractual principal and interest is expected. The balance of this loan was $48,959 at December 31, 2014. One loan receivable was placed on non-accrual during the year ended December 31, 2014. The current balance of this loan at December 31, 2014, was $204,414. In addition, two loan receivables in the amount of $557,416 were moved to OREO. One of these loan receivables valued at $35,473 was ultimately sold at a gain of $2,382 during the year ended December 31, 2014.

Net charge-offs for the year ended December 31, 2014, were $39,929 as compared to net charge-offs of $348,067 for the year ended December 31, 2013. Although uncertainty in the economic outlook still exists, we believe 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, 2014	$	December 31, 2013
Commercial loans	$	(83,042)		(222,595)
Commercial real estate		30,166		15,348
Consumer real estate		-		-
Consumer other		12,947		(140,820)
Total	$	(39,929)	$	(348,067)

We believe the allowance for loan losses at December 31, 2014, is adequate to cover estimated losses in the loan portfolio; however, assessing the adequacy of the allowance is a process that requires considerable judgment. Our judgments are based on numerous assumptions about current events which we believe 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 our 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 our operating results.

The following tables present a breakdown of the allowance for loan losses as of December 31, 2014 and 2013, respectively.

		December 31, 2014		$	December 31, 2013	
		Allowance by loan type	Percentage of loans to total loans		Allowance by loan type	Percentage of loans to total loans
Commercial Loans	$	1,211,130	21%		1,448,804	24%
Commercial Real Estate		1,112,387	50%		1,064,363	49%
Consumer real estate		906,255	27%		694,950	25%
Consumer other		105,076	2%		84,160	2%
Total	$	3,334,848	100%	$	3,292,277	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 us 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, 2014 or the year ended December 31, 2013, 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	$ -	$ 16,828	$ 15,637	$ 12,145	$ 1,231	$ -	$ 45,841
CD's and other time deposits under 100,000	$ 88	$ 4,642	$ 4,742	$ 5,388	$ 1,120	$ -	$ 15,980

Certificates of Deposit $100,000 and over decreased $6,674,620 or 12.71% for the year ended December 31, 2014, from $52,516,487 at December 31, 2013. This decrease was primarily due to the maturity of four Certificates of Deposit with an aggregate balance of $7.5 million. The funds were withdrawn to be used for personal and business expenses by the customers.

We fund growth through core deposits and do not rely on Brokered Deposits or Internet Deposits as a source to do so.

SHORT-TERM BORROWINGS

At December 31, 2014, we had no outstanding federal funds purchased with the option to borrow $13,000,000 on short term lines of credit. In March 2012, we established a $6 million REPO line with Raymond James (formerly Morgan Keegan). There have been no borrowings under this arrangement. We also established a Borrower-In-Custody arrangement with the Federal Reserve. This arrangement permits us to retain possession of assets pledged as collateral to secure advances from the Federal Reserve Discount Window. At December 31, 2014, we could borrow up to $71 million. There have been no borrowings under this arrangement.

Securities sold under agreements to repurchase with customers mature on demand. These borrowings were collateralized by US Treasury Notes with an amortized cost of $8,502,891 and a fair value of $8,553,484 at December 31, 2014. The agreements to repurchase had a weighted average interest rate of .025% at December 31, 2014. The average amount of outstanding agreements to repurchase was $2,426,044 during the twelve months ended December 31, 2014. The securities underlying the repurchase agreement were held in safekeeping by an authorized broker. At the maturity date of this agreement, the securities will be returned to our account.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of operations, we engage 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. We use such transactions 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 requests for funding.

Our off-balance sheet arrangements consist principally of commitments to extend credit described below. We estimate probable losses related to binding unfunded lending commitments and record a reserve for unfunded lending commitments in other liabilities on the consolidated balance sheet. At December 31, 2014 and 2013, the balance of this reserve was $20,825. At December 31, 2014 and 2013, we 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. If deemed necessary, the amount of collateral obtained upon extension of credit is based on our 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 $62,597,548 and $64,830,461 at December 31, 2014 and 2013, respectively.

Standby letters of credit represent our obligation to a third party contingent upon the failure of our customer to perform under the terms of an underlying contract with the third party or obligates us 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. We 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, 2014 and 2013 was $577,943 and $557,593, respectively.

We originate certain fixed rate residential loans and commit these loans for sale. The commitments to originate fixed rate residential loans and the sales commitments are freestanding derivative instruments. We had forward sales commitments, totaling $7,325,081 at December 31, 2014, to sell loans held for sale of $7,325,081, compared to forward sales commitments of $4,739,343 at December 31,2013, to sell loans held for sale of $4,739,343. The fair value of these commitments was not significant at December 31, 2014 or 2013. We had no embedded derivative instruments requiring separate accounting treatment.

Once we sell certain fixed rate residential loans, the loans are no longer reportable on our balance sheet. With most of these sales, we have 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 nine months. Misrepresentation or fraud carries unlimited time for recourse. The unpaid principal balance of loans sold with recourse was $7.4 million at December 31, 2014 and $16.3 million at December 31, 2013. For the twelve months ended December 31, 2014 and December 31, 2013, 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 our 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. We strive 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

Our capital needs have been met to date through the $10,600,000 in capital raised in our initial offering, the retention of earnings less dividends paid and the exercise of stock options to purchase a total shareholders' equity at December 31, 2014, of $36,759,982. The rate of asset growth since our 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, 2014 for the Bank was 14.88% and 14.57% at December 31, 2013. We do not know of any trends, events or uncertainties that may result in our capital resources materially increasing or decreasing.

We 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, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Our 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 that we maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets and to average assets. We believe, as of December 31, 2014, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

At December 31, 2014 and 2013, the Company and 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 we believe would change the Company's or the Bank's category.

On July 2, 2013, the Federal Reserve Board approved the final rules implementing the Basel Committee on Banking Supervision's ("BCBS") capital guidelines for US banks. Under the final rules, minimum requirements will increase our quantity and quality of the capital. The rules include a new common equity Tier 1 capital to risk-weighted assets ratio of 4.5% and a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets. The final rule also raises the minimum ratio of Tier 1 capital to risk-weighted assets from 4% to 6% and requires a minimum leverage ratio of 4%. The final rule also implements strict eligibility criteria for regulatory capital instruments and improves the methodology for calculating risk-weighted assets to enhance risk sensitivity.

On July 9, 2013, the FDIC also approved, as an interim final rule, the regulatory capital requirements for US banks, following the actions of the Federal Reserve Bank. The FDIC's rule is identical in substance to the final rules issued by the Federal Reserve Bank.

The phase-in-period for the final rules began on January 1, 2015, with full compliance with all of the final rule requirements phased in over a multi-year schedule. We believe that as of December 31, 2014, the Company and the Bank would remain "well capitalized" under the new rules.

Please see "Notes to Consolidated Financial Statements" for the Company's and the Bank's various capital ratios at December 31, 2014.

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

See the Market Risk section in "Management's Discussion and Analysis of Financial Condition and Results of Operation" included in Item 7 of this report.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To 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 as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the years then ended. 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, 2014 and 2013, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Elliott Davis Decosimo, LLC

Charleston, South Carolina
March 6, 2015

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

		DECEMBER 31, 2014		2013
ASSETS				
Cash and due from banks	$	4,698,435	$	6,043,375
Interest-bearing deposits in other banks		5,680,613		16,080,721
Investment securities available for sale (amortized cost of $112,021,061 and $93,130,918 in 2014 and 2013, respectively)		113,994,112		94,648,221
Mortgage loans to be sold		7,325,081		4,739,343
Loans		234,117,792		218,320,304
Less: Allowance for loan losses		(3,334,848)		(3,292,277)
Net loans		230,782,944		215,028,027
Premises, equipment and leasehold improvements, net		2,352,423		2,454,861
Other real estate owned		521,943		-
Accrued interest receivable		1,290.380		1,182,272
Other assets		579,871		716,883
Total assets	$	367,225,802	$	340,893,703
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Deposits:				
Non-interest-bearing demand		107,072,271		90,574,330
Interest-bearing demand		79,397,647		78,576,851
Money market accounts		47,450,210		47,190,365
Certificates of deposit $100,000 and over		45,841,867		52,516,487
Other time deposits		15,979,468		15,730,187
Other savings deposits		26,677,564		20,654,435
Total deposits		322,419,027		305,242,655
Short-term borrowings		6,980,681		-
Accrued interest payable and other liabilities		1,066,112		911,905
Total liabilities		330,465,820		306,154,560
Commitments and contingencies Notes 1 and 8				
Shareholders' equity				
Common stock-no par 12,000,000 shares authorized; Issued 4,680,839 shares at December 31, 2014 and 4,678,399 at December 31, 2013; Shares outstanding 4,461,388 at December 31, 2014 and 4,458,888 at December 31, 2013		-		-
Additional paid in capital		28,779,108		28,678,150
Retained earnings		8,640,291		7,007,532
Treasury stock: 219,451 shares at December 31, 2014 and 2013		(1,902,439)		(1,902,439)
Accumulated other comprehensive income, net of income taxes		1,243,022		955,900
Total shareholders' equity		36,759,982		34,739,143
Total liabilities and shareholders' equity	$	367,225,802	$	340,893,703

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31, 2014	2013	2012
Interest and fee income			
Interest and fees on loans	$ 11,263,048	$ 11,188,748	$ 11,032,927
Interest and dividends on investment securities	2,105,475	1,482,594	1,347,520
Other interest income	49,731	80,450	82,412
Total interest and fee income	13,418,254	12,751,792	12,462,859
Interest expense			
Interest on deposits	408,266	416,128	455,619
Interest on short-term borrowings	681	-	-
Total interest expense	408,947	416,128	455,619
Net interest income	13,009,307	12,335,664	12,007,240
Provision for loan losses	82,500	207,500	350,000
Net interest income after provision for loan losses	12,926,807	12,128,164	11,657,240
Other income			
Service charges, fees and commissions	921,638	943,627	926,050
Mortgage banking income	1,315,020	1,521,670	1,377,888
Other non-interest income	29,466	31,120	41,525
Gain on other real estate owned	2,382	-	-
Gain on sale of securities	312,577	-	-
Total other income	2,581,083	2,496,417	2,345,463
Other expense			
Salaries and employee benefits	5,466,446	5,191,215	5,045,413
Net occupancy expense	1,473,700	1,406,680	1,356,845
Other operating expenses	2,171,058	2,119,955	2,329,367
Total other expenses	9,111,204	8,717,850	8,731,625
Income before income tax expense	6,396,686	5,906,731	5,271,078
Income tax expense	1,997,866	1,829,807	1,604,250
Net income	$ 4,398,820	$ 4,076,924	$ 3,666,828
Weighted average shares outstanding			
Basic	4,461,388	4,452,642	4,445,738
Diluted	4,576,065	4,461,953	4,445,738
Basic income per common share	$ 0.99	$ 0.92	$ 0.82
Diluted income per common share	$ 0.96	$ 0.91	$ 0.82

See accompanying notes to consolidated financial statements.

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

	YEARS ENDED DECEMBER 31,		
	2014	**2013**	**2012**
Net income	$ 4,398,820	$ 4,076,924	$ 3,666,828
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on securities (net of tax $168,627, $730,715 and $109,467, respectively)	484,045	(1,244,191)	186,390
Reclassification adjustment for gains included in income (net of tax $115,654)	(196,923)	-	-
Other comprehensive income (loss), net of tax	287,122	(1,244,191)	186,390
Total comprehensive income	$ 4,685,942	$ 2,832,733	$ 3,853,218

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2014, 2013, 2012

	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
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
Net income	-	4,076,924	-	-	4,076,924
Other Comprehensive income	-	-	-	(1,244,191)	(1,244,191)
Exercise of Stock Options	128,477	-	-	-	128,477
Stock-based compensation expense	74,722	-	-	-	74,722
Cash dividends ($0.50 per common share)	-	(2,227,231)	-	-	(2,227,231)
December 31, 2013	28,678,150	7,007,532	(1,902,439)	955,900	34,739,143
Net income	-	4,398,820	-	-	4,398,820
Other Comprehensive income	-	-	-	287,122	287,122
Exercise of Stock Options	26,050	-	-	-	26,050
Stock-based compensation expense	74,908	-	-	-	74,908
Cash dividends ($0.62 per common share)	-	(2,766,061)	-	-	(2,766,061)
December 31, 2014	$ 28,779,108	$ 8,640,291	$ (1,902,439)	$ 1,243,022	$ 36,759,982

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

Cash flows from operating activities:	2014	2013	2012
Net income	$ 4,398,820	$ 4,076,924	$ 3,666,828
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation	200,178	192,844	206,603
Gain on sale of securities	(312,577)	-	-
Gain on sale of other real estate	(2,382)	-	-
Provision for loan losses	82,500	207,500	350,000
Stock-based compensation expense	74,908	74,722	72,928
Deferred income taxes	134,478	59,829	(183,607)
Net amortization of unearned discounts on investment securities	303,036	516,746	390,543
Origination of mortgage loans held for sale	(71,767,800)	(81,762,793)	(108,699,648)
Proceeds from sale of mortgage loans held for sale	69,182,061	95,503,328	97,798,357
(Increase) decrease in accrued interest receivable and other assets	(274,201)	(36,138)	502,361
Increase (decrease) in accrued interest payable and other liabilities	153,882	(74,111)	(12,081)
Net cash provided (used) by operating activities	2,172,903	18,758,851	(5,907,716)
Cash flows from investing activities:			
Proceeds from calls and maturities of investment securities available for sale	1,920,000	2,325,000	3,745,000
Proceeds from sale of available for sale securities	37,159,363	-	-
Proceeds from sale of other real estate	37,855	-	-
Purchase of investment securities available for sale	(57,959,964)	(40,950,656)	(2,801,741)
Net increase in loans	(16,394,833)	(1,539,747)	(3,443,553)
Loss on disposal of fixed assets	-	-	1,628
Purchase of premises, equipment and leasehold improvements, net	(97,740)	(160,913)	(83,058)
Net cash used by investing activities	(35,335,319)	(40,326,316)	(2,581,724)
Cash flows from financing activities:			
Net increase (decrease) in deposit accounts	17,176,372	14,168,812	(10,053,672)
Net increase in short-term borrowings	6,980,681	-	-
Dividends paid	(2,765,735)	(1,647,576)	(2,489,610)
Stock options exercised	26,050	128,477	11,094
Net cash provided (used) by financing activities	21,417,368	12,649,713	(12,532,188)
Net decrease in cash and cash equivalents	(11,745,048)	(8,917,752)	(21,021,628)
Cash and cash equivalents at beginning of year	22,124,096	31,041,848	52,063,476
Cash and cash equivalents at end of year	$ 10,379,048	$ 22,124,096	$ 31,041,848
Supplemental disclosure of cash flow data:			
Cash paid during the year for:			
Interest	$ 429,758	$ 410,598	$ 534,773
Income taxes	$ 1,819,000	$ 1,892,000	$ 1,717,751
Supplemental disclosure for non-cash investing and financing activity:			
Change in unrealized gain (loss) on securities available for sale, net of income taxes	$ 287,122	$ (1,244,191)	$ 186,390
Change in dividends payable	$ 325	$ 579,655	$ (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 require management to make estimates and assumptions. These estimates 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 generally susceptible to significant change are related 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.

We are 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 our 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.

References to “we”, “us”, “our”, “the Bank”, or “the Company” refer to the parent and its subsidiary that are consolidated for financial purposes.

Cash and Cash Equivalents:
Cash and cash equivalents include cash and noninterest-bearing deposits, and interest-earning deposits. All amounts are readily convertible to cash and have maturities of less than 90 days.

Investment Securities:
We classify investments into three categories as follows: (1) Held to Maturity - debt securities that we have 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 2014 and 2013. We do not have any mortgage-backed securities nor have we ever invested in mortgage-backed securities.

Mortgage Loans to be Sold:

We originate fixed and variable rate residential mortgage loans on a service release basis in the secondary market. Loans closed but not yet settled with an investor are carried in our loans held for sale portfolio. These loans are fixed and variable rate residential mortgage loans that have been originated in our 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 our customers. Therefore, these loans present very little market risk. We usually deliver to, and receive 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. We are 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.

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, 2014 and December 31, 2013, we had approximately $7.3 million and $4.7 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 income.

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 of full 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. We define past due loans based on contractual payment and maturity dates.

We account 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.

We account for impaired loans by requiring that all loans for which it is estimated that we 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 less cost to sell, if the loan is collateral dependent.

Additional accounting guidance allows us to use existing methods for recognizing interest income on an impaired loan. The guidance also requires additional disclosures about how we estimate interest income related to our impaired loans.

The accrual of interest is generally discontinued on loans that 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 six to nine months, they are reviewed individually by management to determine if they should be returned to accrual status.

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 ("TDR"). For this type of impaired loan, 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.

We believe 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. Our judgments are based on numerous assumptions about current events which we believe 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 our 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 our operating results.

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 us to adjust our allowance based on information available to us at the time of our examination.

The methodology used to determine the reserve for unfunded lending commitments, which is included in other liabilities, is inherently similar to the methodology 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:
Our primary market consists of the counties of Berkeley, Charleston and Dorchester, South Carolina. At December 31, 2014, 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 ("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 our estimation of the value of the collateral. Gains and losses on the sale of OREO and subsequent write-downs from periodic re-evaluation are charged to other operating income. We had one property valued at $521,943 classified as OREO at December 31, 2014. Another property valued at $35,473 classified as OREO was ultimately sold at a gain of $2,382 during the year ended December 31, 2014. At December 31, 2013, we did not have any.

Income Taxes:

We account 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. We believe that we had no uncertain tax positions for the year ended December 31, 2014 or for the year ended December 31, 2013.

Stock-Based Compensation:

Stock options are periodically granted to employees at an exercise price not less than 100% of the fair market value of the shares at the date of the grant. All employees are eligible to participate in this plan if the Executive Committee, in its sole discretion, determines that such person has contributed or can be expected to contribute to our profits or growth. Fair value is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility of the underlying stock and its expected dividends, and the risk-free interest rate over the expected life of the option.

Income Per Common Share:

Basic income 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.

Comprehensive Income:

We apply 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.

Segment Information:

We report 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 Financial Officer/Executive Vice President 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.

We had no embedded derivative instruments requiring separate accounting treatment. We had freestanding derivative instruments consisting of fixed rate conforming loan commitments as interest rate locks and commitments to sell fixed rate conforming loans on a best efforts basis. We do not currently engage in hedging activities. Based on short term fair value of the mortgage loans held for sale (derivative contract), our derivative instruments were immaterial as of December 31, 2014 and 2013.

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, we are required to maintain certain average cash reserve balances. Our daily reserve requirement in 2014 and 2013 was satisfied by vault cash.

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 January 2014, the Financial Accounting Standards Board ("FASB") amended the Receivables topic of the Accounting Standards Codification. The amendments are intended to resolve diversity in practice with respect to when a creditor should reclassify a collateralized consumer mortgage loan to OREO. In addition, the amendments require a creditor reclassify a collateralized consumer mortgage loan to OREO upon obtaining legal title to the real estate collateral, or the borrower voluntarily conveying all interest in the real estate property to the lender to satisfy the loan through a deed in lieu of foreclosure or similar legal agreement. The amendments became effective for interim and annual reporting periods beginning after December 15, 2014, with early implementation of the guidance permitted. In implementing this guidance, assets that are reclassified from real estate to loans are measured at the carrying value of the real estate at the date of adoption. Assets reclassified from loans to real estate are measured at the lower of the net amount of the loan receivable or the fair value of the real estate less costs to sell at the date of adoption. We will apply the amendments prospectively using a modified retrospective approach. We do not expect these amendments to have a material effect on our consolidated financial statements.

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for reporting periods beginning after December 15, 2016. We will apply the guidance using a modified retrospective approach. We do not expect these amendments to have a material effect on our consolidated financial statements.

In June 2014, the FASB issued guidance which makes limited amendments to the guidance on accounting for certain repurchase agreements. The guidance (1) requires entities to account for repurchase-to-maturity transactions as secured borrowings (rather than as sales with forward repurchase agreements), (2) eliminates accounting guidance on linked repurchase financing transactions, and (3) expands disclosure requirements related to certain transfers of financial assets that are accounted for as sales and certain transfers (specifically repos, securities lending transactions, and repurchase-to-maturity transactions) accounted for as secured borrowings. The amendments became effective for the Company for the first interim or annual period beginning after December 31, 2014. The Company will apply the guidance by making a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. We do not expect these amendments to have a material effect on our financial statements.

In August 2014, the FASB issued guidance that is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. In connection with preparing financial statements, management will need to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the organization's ability to continue as a going concern within on year after the date that the financial statements are issued. The amendments will be effective for annual periods ending after December 31, 2016, and for annual and interim periods thereafter. We do not expect these amendments to have a material effect on our financial statements.

In January 2015, the FASB issued guidance that eliminated the concept of extraordinary items from U.S. GAAP. Existing U.S. GAAP required that an entity separately classify, present, and disclose extraordinary events and transactions. The amendments will eliminate the requirements for reporting entities to consider whether an underlying event or transaction is extraordinary, however, the presentation and disclosure guidance for items that are unusual in nature and infrequently occurring. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The amendments may be applied either prospectively or retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. We do not expect these amendments to have a material effect on our 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 our financial position, results of operations or cash flows.

Reclassification

Certain reclassifications of accounts reported for previous periods have been made in these consolidated financial statements. Such reclassifications had no effect on shareholders' equity or the net income as previously reported.

2. INVESTMENT SECURITIES AVAILABLE FOR SALE

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

	DECEMBER 31, 2014			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Notes	$ 29,162,412	$ 105,627	$ 19,758	$ 29,248,281
Government-Sponsored Enterprises	50,194,951	95,961	148,263	50,142,649
Municipal Securities	32,663,698	1,973,743	34,259	34,603,182
Total	$ 112,021,061	$ 2,175,331	$ 202,280	$ 113,994,112

	DECEMBER 31, 2013			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Notes	$ 15,841,901	$ 58,429	$ 67,929	$ 15,832,401
Government-Sponsored Enterprises	43,582,119	363,981	311,062	43,635,038
Municipal Securities	33,706,898	1,599,638	125,754	35,180,782
Total	$ 93,130,918	$ 2,022,048	$ 504,745	$ 94,648,221

The amortized cost and estimated fair value of investment securities available for sale at December 31, 2014 and December 31, 2013, by contractual maturity are as follows:

DECEMBER 31, 2014

	AMORTIZED COST	ESTIMATED FAIR VALUE
Due in one year or less	$ 8,324,400	$ 8,362,398
Due in one year to five years	43,301,670	43,851,426
Due in five years to ten years	52,566,597	53,671,067
Due in ten years and over	7,828,394	8,109,221
Total	$ 112,021,061	$ 113,994,112

DECEMBER 31, 2013

	AMORTIZED COST	ESTIMATED FAIR VALUE
Due in one year or less	$ 11,048,145	$ 11,147,251
Due in one year to five years	39,310,800	39,914,350
Due in five years to ten years	31,907,109	32,503,090
Due in ten years and over	10,864,864	11,083,530
Total	$ 93,130,918	$ 94,648,221

During the year ended December 31, 2014, we realized a gain of $312,577 on the sale of ten investment securities with an aggregate amortized cost of $36,846,786. There were no securities sold during the year ended December 31, 2013.

Investment securities with an aggregate amortized cost of $48,268,706 and estimated fair value of $50,212,002 at December 31, 2014, were pledged to secure deposits and other balances, as required or permitted by law.

At December 31, 2014, we had two US Treasury Notes with an unrealized loss of $19,758, seven Agency Notes with an unrealized loss of $148,263, and three Municipal Securities with an unrealized loss of $34,259, compared to three US Treasury Notes with an unrealized loss of $67,929, five Agency Notes with an unrealized loss of $311,062, and six Municipal Securities with an unrealized loss of $125,754 at December 31, 2013. 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. We have 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, 2014 and December 31, 2013 are as follows:

DECEMBER 31, 2014

	Less than 12 months		12 months or longer		Total	
Descriptions of Securities	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Treasury Notes	4,948,438	19,758			4,948,438	19,758
Government-Sponsored Enterprises	28,850,132	148,263			28,850,132	148,263
Municipal Securities	931,428	27,182	1,557,833	7,077	2,489,261	34,259
Total	34,729,998	195,203	1,557,833	7,077	36,287,831	202,280

DECEMBER 31, 2013										
		Less than 12 months			**12 months or longer**			**Total**		
Descriptions of Securities		**Fair Value**	**Unrealized Losses**		**Fair Value**	**Unrealized Losses**		**Fair Value**		**Unrealized Losses**
U.S. Treasury Notes		9,713,619	67,929					9,713,619		67,929
Government-Sponsored Enterprises		20,027,016	311,062					20,027,016		311,062
Municipal Securities		2,496,742	125,652		401,624	102		2,898,366		125,754
Total		32,237,377	504,643		401,624	102		32,639,001		504,745

The following table reconciles the changes in Level 3 financial instruments for the year ended December 31, 2014 and 2013.

Level 3 Municipal Securities December 31,				
		2014		**2013**
Beginning Balance	$	1,525,337	$	1,740,341
Total gains or (losses) (realized/unrealized)				
Included in earnings		-		-
Included in other comprehensive income		16,752		(55,004)
Purchases, issuances and settlements		(165,000)		(160,000)
Transfers in and/or out of level 3		-		-
Ending Balance	$	1,377,089	$	1,525,337

3. LOANS

Major classifications of loans (including deferred fees of $89,441 and $66,289) are as follows:

	DECEMBER 31, 2014	DECEMBER 31, 2013
Commercial loans	$ 49,899,577	$ 53,303,569
Commercial real estate:		
Commercial real estate construction	1,511,702	1,516,545
Commercial real estate other	115,739,682	104,740,578
Consumer:		
Consumer real estate	62,054,983	54,669,359
Consumer other	4,911,848	4,090,253
	234,117,792	218,320,304
Allowance for loan losses	(3,334,848)	(3,292,277)
Loans, net	$ 230,782,944	$ 215,028,027

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

	YEARS ENDED DECEMBER 31,		
	2014	**2013**	**2012**
Balance at beginning of year	$ 3,292,277	$ 3,432,844	$ 3,106,884
Provision for loan losses	82,500	207,500	350,000
Charge offs	(113,030)	(391,401)	(172,288)
Recoveries	73,101	43,334	148,248
Balance at end of year	$ 3,334,848	$ 3,292,277	$ 3,432,844

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We had impaired loans totaling $7,051,127 as of December 31, 2014 compared to $7,136,907 at December 31, 2013. Impaired loans include non-accrual loans with balances at December 31, 2014, and 2013, of $882,413 and $1,575,440, respectively, and TDR's with balances at December 31, 2014 and 2013 of $466,541 and $1,196,341, respectively. One loan receivable reported with a non-accrual status in the amount of $61,959 at December 31, 2013, was returned to accrual status during the year ended December 31, 2014. The borrower had a documented change in income and employment. In addition, the customer made payments consistently, reducing their past due status to less than 30 days for a period of over 6 months. All principal and interest are current and repayment of the remaining contractual principal and interest is expected. The balance of this loan was $48,959 at December 31, 2014. One loan receivable was placed on non-accrual status during the year ended December 31, 2014. The balance of this loan receivable was $204,414 at December 31, 2014. In addition, two loan receivables in the amount of $557,416 at December 31, 2013, were moved to Other Real Estate Owned ("OREO") during the year ended December 31, 2014. One of these loan receivables valued at $35,473 was ultimately sold at a gain of $2,382 during the year ended December 31, 2014.

We had two restructured loans at December 31, 2014, and four restructured loans at December 31, 2013. According to GAAP, we are required to account for certain loan modifications or restructuring as a TDR, when appropriate. In general, the modification or restructuring of a debt is considered a TDR if we, for economic or legal reasons related to a borrower's financial difficulties, grant a concession to the borrower that we would not otherwise consider. At December 31, 2014 and 2013, troubled debt restructurings had an aggregate balance of $466,541 and $1,196,341, respectively. During the year ended December 31, 2014, a loan receivable with a balance of $596,125 at December 31, 2013, was removed from a TDR status. The borrower consistently paid as agreed and made substantial reductions to principal. Refinance guidance FASB ASC 310-20-35-9 allows for a loan to be removed from the TDR status if the terms of the loan reflect current market rates. To be in compliance with its modified terms, a loan that is a TDR must not be in nonaccrual status and must be current or less than 30 days past due on its contractual principal and interest payments under the modified repayment terms. Although we removed this loan receivable from a TDR status, it will remain classified as an impaired loan and will continue to be recorded, evaluated and disclosed as such. The balance of this loan was $494,933 at December 31, 2014. In addition, one loan receivable with a balance of $106,194 at December 31, 2013, was paid off during the year ended December 31, 2014. There were no additional loans identified as a TDR during the year ended December 31, 2014. In the past 12 months, no loan identified as a TDR defaulted.

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 we deem it appropriate. If non-accrual loans decrease their past due status to less than 30 days for a period of six to nine months, they are reviewed individually to determine if they should be returned to accrual status.

There were three loans over 90 days past due and still accruing interest at December 31, 2014. This resulted from unusual circumstances with two customers that have had a long-term relationship with the bank. The customers are currently working to bring the loans current with improved cash flow in their respective businesses. There were no loans over 90 days past due still accruing interest at December 31, 2013.

The following is a summary of the non-accrual loans as of December 31, 2014 and December 31, 2013.

Loans Receivable on Non-Accrual December 31, 2014		
Commercial	$	-
Commercial Real Estate:		
Commercial Real Estate - Construction		-
Commercial Real Estate - Other		882,413
Consumer:		
Consumer - Real Estate		-
Consumer - Other		-
Total	$	882,413

Loans Receivable on Non-Accrual December 31, 2013		
Commercial	$	-
Commercial Real Estate:		
Commercial Real Estate - Construction		-
Commercial Real Estate - Other		1,507,209
Consumer:		-
Consumer - Real Estate		68,231
Consumer - Other		-
Total	$	1,575,440

The following is a schedule of our delinquent loans, excluding mortgage loans to be sold, as of December 31, 2014 and December 31, 2013.

December 31, 2014		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	$	557,608	2,474	-	560,082	49,339,495	49,899,577	-
Commercial Real Estate:								
Commercial Real Estate - Construction		-	-	-	-	1,511,702	1,511,702	-
Commercial Real Estate - Other		229,607	589,705	1,665,673	2,484,985	113,254,697	115,739,682	1,274,119
Consumer:								
Consumer Real Estate		-	-	-	-	62,054,983	62,054,983	-
Consumer-Other		17,468	-	-	17,468	4,894,380	4,911,848	-
Total	$	804,683	592,179	1,665,673	3,062,535	231,055,257	234,117,792	1,274,119

December 31, 2013													
		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	$	230,848		78,200		-		309,048		52,994,521		53,303,569		-
Commercial Real Estate:														
Commercial Real Estate - Construction		-		-		-		-		1,516,545		1,516,545		-
Commercial Real Estate - Other		689,859		226,314		754,168		1,670,341		103,070,237		104,740,578		-
Consumer:														
Consumer Real Estate		-		-		-		-		54,669,359		54,669,359		-
Consumer-Other		24,399		-		-		24,399		4,065,854		4,090,253		-
Total	$	945,106		304,514		754,168		2,003,788		216,316,516		218,320,304		-

We grant short to intermediate term commercial and consumer loans to customers throughout our primary market area of Charleston, Berkeley and Dorchester counties of South Carolina. Our primary market area is heavily dependent on tourism and medical services. Although we have a diversified loan portfolio, a substantial portion of our 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 our immediate market area with a concentration in Real Estate Related, Offices and Clinics of Medical Doctors, Real Estate Agents and Managers, and Legal Services.

As of December 31, 2014 and 2013, loans individually evaluated and considered impaired are presented in the following table:

Impaired and Restructured Loans As of the Year Ended December 31, 2014						
With no related allowance recorded:		**Unpaid Principal Balance**		**Recorded Investment**		**Related Allowance**
Commercial	$	634,865	$	634,865	$	-
Commercial Real Estate		3,349,844		3,349,844		-
Consumer Real Estate		351,140		351,140		-
Consumer Other		-		-		-
Total	$	4,335,849	$	4,335,849	$	-
With an allowance recorded:						
Commercial	$	1,157,560	$	1,157,560	$	784,561
Commercial Real Estate		846,008		846,008		209,189
Consumer Real Estate		672,163		672,163		250,590
Consumer Other		39,547		39,547		39,547
Total	$	2,715,278	$	2,715,278	$	1,283,887
Grand Total	$	7,051,127	$	7,051,127	$	1,283,887

Impaired and Restructured Loans As of the Year Ended December 31, 2013						
With no related allowance recorded:		**Unpaid Principal Balance**		**Recorded Investment**		**Related Allowance**
Commercial	$	471,080	$	471,080	$	-
Commercial Real Estate		2,213,271		2,213,271		-
Consumer Real Estate		200,399		200,399		-
Consumer-Other		-		-		-
Total	$					
		2,884,750	$	2,884,750	$	-
With an allowance recorded:						
Commercial	$	1,175,329	$	1,175,329	$	1,175,329
Commercial Real Estate		2,191,875		2,191,875		535,766
Consumer Real Estate		842,127		842,127		423,705
Consumer Other		42,826		42,826		42,826
Total	$	4,252,157		4,252,157		2,177,626
Grand Total	$	7,136,907	$	7,136,907	$	2,177,626

The following table presents by class, information related to the average recorded investments and interest income recognized on impaired loans for the year ended December 31, 2014 and 2013.

Impaired and Restructured Loans For the Year Ended								
		December 31, 2014				December 31, 2013		
With no related allowance recorded:		**Average Recorded Investment**		**Interest Income Recognized**		**Average Recorded Investment**		**Interest Income Recognized**
Commercial		647,135		18,129		424,733		36,465
Commercial Real Estate		3,515,431		177,416		2,427,681		152,529
Consumer Real Estate		351,550		12,877		200,339		9,079
Consumer-Other		-		-		-		-
Total		4,514,116		208,422		3,052,753		198,073
With an allowance recorded:								
Commercial		1,222,383		56,432		1,213,799		58,955
Commercial Real Estate		790,998		29,218		2,083,729		78,453
Consumer Real Estate		688,922		34,154		866,800		32,633
Consumer Other		41,631		1,923		46,697		2,268
Total		2,743,934		121,727		4,211,025		172,309
Grand Total		7,258,050		330,149		7,263,778		370,382

The following table illustrates credit risks by category and internally assigned grades at December 31, 2014 and December 31, 2013.

December 31, 2014												
		Commercial		**Commercial Real Estate Construction**		**Commercial Real Estate Other**		**Consumer – Real Estate**		**Consumer- Other**		**Total**
Pass	$	45,154,058	$	1,062,185	$	108,568,274	$	58,744,677	$	4,512,912	$	218,042,106
Watch		2,401,715		-		1,697,883		1,818,923		276,557		6,195,078
OAEM		551,380		449,517		1,378,436		467,482		82,832		2,929,647
Sub-Standard		1,792,424		-		4,095,089		1,023,901		39,547		6,950,961
Doubtful		-		-		-		-		-		-
Loss		-		-		-		-		-		-
Total	$	49,899,577	$	1,511,702	$	115,739,682	$	62,054,983	$	4,911,848	$	234,117,792

December 31, 2013												
		Commercial		**Commercial Real Estate Construction**		**Commercial Real Estate Other**		**Consumer – Real Estate**		**Consumer – Other**		**Total**
Pass	$	48,383,912	$	1,516,545	$	95,942,918	$	50,846,709	$	3,703,400	$	200,393,484
Watch		1,962,292		-		1,902,129		1,933,566		191,081		5,989,068
OAEM		546,938		-		2,234,023		654,076		76,097		3,511,134
Sub-Standard		2,410,427		-		4,661,508		1,235,008		119,675		8,426,618
Doubtful		-		-		-		-		-		-
Loss		-		-		-		-		-		-
Total	$	53,303,569	$	1,516,545	$	104,740,578	$	54,669,359	$	4,090,253	$	218,320,304

The following table sets forth the changes in the allowance and an allocation of the allowance by loan category at December 31, 2014 and December 31, 2013. 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, 2014									
		Commercial		**Commercial Real Estate**		**Consumer Real Estate**		**Consumer Other**		**Total**
Allowance for Loan Losses										
Beginning Balance	$	1,448,804	$	1,064,363	$	694,950	$	84,160	$	3,292,277
Charge-offs		(83,042)		(15,834)		-		(14,154)		(113,030)
Recoveries		-		46,000		-		27,101		73,101
Provisions		(154,632)		17,858		211,305		7,969		82,500
Ending Balance		1,211,130		1,112,387		906,255		105,076		3,334,848
Allowance for Loan Losses Ending Balances:										
Individually evaluated for impairment		784,561		209,189		250,590		39,547		1,283,887
Collectively evaluated for impairment		426,569		903,198		655,665		65,529		2,050,961
Investment in Loans Ending Balance										
Individually evaluated for impairment		1,792,425		4,195,852		1,023,303		39,547		7,051,127
Collectively evaluated for impairment	$	48,107,152	$	113,055,532	$	61,031,680	$	4,872,301	$	227,066,665

December 31, 2013										
		Commercial		**Commercial Real Estate**		**Consumer Real Estate**		**Consumer Other**		**Total**
Allowance for Loan Losses										
Beginning Balance	$	1,576,002	$	767,170	$	977,859	$	111,813	$	3,432,844
Charge-offs		(245,599)		-		-		(145,802)		(391,401)
Recoveries		23,004		15,348		-		4,982		43,334
Provisions		95,397		281,845		(282,909)		113,167		207,500
Ending Balance		1,448,804		1,064,363		694,950		84,160		3,292,277
Allowance for Loan Losses Ending Balances:										
Individually evaluated for impairment		1,175,329		535,766		423,705		42,826		2,177,626
Collectively evaluated for impairment		273,145		528,597		271,245		41,344		1,114,651
Investment in Loans Ending Balance										
Individually evaluated for impairment		1,646,409		4,405,146		1,042,526		42,826		7,136,907
Collectively evaluated for impairment	$	51,657,160	$	101,851,977	$	53,626,833	$	4,047,427	$	211,183,397

Restructured loans (loans, still accruing interest, which have been renegotiated at below-market interest rates or for which other concessions have been granted) were $466,541 and $1,196,341 at December 31, 2014 and December 31, 2013, respectively, and are illustrated in the following table. The following restructured loans were renegotiated to interest only. All restructured loans were performing as agreed as of December 31, 2014 and 2013, respectively.

Modification						
As of December 31, 2014						
		Number of Contracts		**Pre-Modification Outstanding Recorded Investment**		**Post-Modification Outstanding Recorded Investment**
Troubled Debt Restructurings						
Commercial		-	$	-	$	-
Commercial Real Estate		2	$	466,541	$	466,541
Commercial Real Estate Construction		-	$	-	$	-
Consumer Real Estate-Prime		-	$	-	$	-
Consumer Real Estate-Subprime		-	$	-	$	-
Consumer Other		-	$	-	$	-
Troubled Debt Restructurings That Subsequently Defaulted						
Commercial		-	$	-	$	-
Commercial Real Estate		-	$	-	$	-
Commercial Real Estate Construction		-	$	-	$	-
Consumer Real Estate-Prime		-	$	-	$	-
Consumer Real Estate-Subprime		-	$	-	$	-
Consumer Other		-	$	-	$	-

Modification						
As of December 31, 2013						
		Number of Contracts		**Pre-Modification Outstanding Recorded Investment**		**Post-Modification Outstanding Recorded Investment**
Troubled Debt Restructurings						
Commercial		1		106,194		106,194
Commercial Real Estate		3	$	1,090,147	$	1,090,147
Commercial Real Estate Construction		-		-		-
Consumer Real Estate-Prime		-	$	-	$	-
Consumer Real Estate-Subprime		-	$	-	$	-
Consumer Other		-	$	-	$	-
Troubled Debt Restructurings That Subsequently Defaulted						
Commercial		-	$	-	$	-
Commercial Real Estate		-	$	-	$	-
Commercial Real Estate Construction		-	$	-	$	-
Consumer Real Estate-Prime		-	$	-	$	-
Consumer Real Estate-Subprime		-	$	-	$	-
Consumer Other		-	$	-	$	-

We had one property valued at $521,943 classified as OREO at December 31, 2014. Another property valued at $35,473 classified as OREO during 2014, was ultimately sold at a gain of $2,382. At December 31, 2013, we did not have any OREO.

The following table summarizes the activity in the other real estate owned at December 31, 2014 and December 31, 2013.

		December 31, 2014		December 31, 2013
Balance, beginning of year	$	-	$	-
Additions-foreclosure		557,416		-
Sales		35,473		-
Write-downs		-		-
Balance, end of year	$	521,943	$	-

4. PREMISES, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Premises, equipment and leasehold improvements are summarized as follows:

	December 31,			
		2014		2013
Bank buildings	$	1,824,613	$	1,824,613
Land		838,075		838,075
Leasehold purchase		30,000		30,000
Lease improvements		684,083		681,168
Construction in process		11,754		-
Equipment		2,940,401		2,857,330
		6,328,926		6,231,186
Accumulated depreciation		(3,976,503)		(3,776,325)
Total	$	2,352,423	$	2,454,861

Depreciation and amortization on our bank premises and equipment charged to operating expense totaled $200,178 in 2014, $192,844 in 2013, and $206,603 in 2012.

5. DEPOSITS

At December 31, 2014, 2013, and 2012 certificates of deposit of $100,000 or more totaled approximately $45,841,867, $52,516,487, and $40,903,886, respectively. Interest expense on these deposits was $184,900 in 2014, $191,794 in 2013, and $200,415 in 2012.

At December 31, 2014, the schedule maturities of certificates of deposit are as follows:

2015	$	59,449,639
2016		1,452,840
2017		373,510
2018		178,456
2019 and thereafter		366,890
	$	61,821,335

At December 31, 2014, deposits with a deficit balance of $58,364 were re-classified as other loans, compared to $64,985 at December 31, 2013.

6. SHORT-TERM BORROWINGS

Securities sold under agreements to repurchase with customers mature on demand. These borrowings were collateralized by US Treasury Notes with an amortized cost of $8,502,891 and a fair value of $8,553,484 at December 31, 2014. The agreements to repurchase had a weighted average interest rate of .025% at December 31, 2014. The average amount of outstanding agreements to repurchase was $2,426,044 during the twelve months ended December 31, 2014. An authorized broker held the securities underlying the repurchase agreements in safekeeping. At the maturity date of this agreement, the securities will be returned to our account. The securities underlying the repurchase agreements were held in safekeeping by an authorized broker.

At December 31, 2014 and 2013, we had no outstanding federal funds purchased. In March 2012, we established a $6 million REPO Line with Raymond James (formerly Morgan Keegan). There have been no borrowings under this arrangement. In addition, we 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, we may borrow up to $71 million. We established this arrangement as an additional source of liquidity. There have been no borrowings under this arrangement.

At December 31, 2014 and 2013, the Bank had unused short-term lines of credit totaling approximately $13,000,000, respectively (which are withdrawable at the lender's option).

7. INCOME TAXES

Total income taxes for the years ended December 31, 2014, 2013 and 2012 are as follows:

	YEARS ENDED DECEMBER 31, 2014	2013	2012
Income tax expense	$ 1,997,866	$ 1,829,807	$ 1,604,250
Unrealized gains (losses) on securities available for sale presented in accumulated other comprehensive income (loss)	168,627	(730,715)	109,467
Total	$ 2,166,493	$ 1,099,092	$ 1,713,717

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

	YEAR ENDED DECEMBER 31, 2014		
	Current	Deferred	Total
U.S. Federal	$ 1,703,444	$ 94,061	$ 1,797,505
State and local	200,361	-	200,361
	$ 1,903,805	$ 94,061	$ 1,997,866

	YEAR ENDED DECEMBER 31, 2013		
	Current	**Deferred**	**Total**
U.S. Federal	$ 1,584,131	$ 59,829	$ 1,643,960
State and local	185,847	-	185,847
	$ 1,769,978	$ 59,829	$ 1,829,807

	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

Income tax expense attributable to income before income tax expense was $1,997,866, $1,829,807, and $1,604,250 for the years ended December 31, 2014, 2013 and 2012, 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,		
	2014	**2013**	**2012**
Computed "expected" tax expense	$ 2,174,873	$ 2,008,289	$ 1,792,167
Increase (reduction) in income taxes Resulting from:			
Tax exempt interest income	(357,834)	(343,189)	(338,592)
State income tax, net of federal benefit	132,238	122,659	111,271
Other, net	48,589	42,048	39,404
	$ 1,997,866	$ 1,829,807	$ 1,604,250

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2014 and 2013 are presented below:

	DECEMBER 31, 2014	DECEMBER 31, 2013
Deferred tax assets:		
State Net Operating Loss Carryforward	$ 34,924	$ 35,673
Allowance for loan losses	997,054	1,050,623
Other	20,997	66,588
Total gross deferred tax assets	1,052,975	1,152,884
Less valuation allowance	(34,924)	(35,673)
Net deferred tax assets	1,018,051	1,117,211
Deferred tax liabilities:		
Prepaid expenses	(7,018)	(15,780)
Unrealized gain on securities available for sale	(730,029)	(561,402)
Deferred loan fees	(30,410)	(22,538)
Fixed assets, principally due to differences in depreciation	(14,810)	(36,726)
Other bond accretion	(48,030)	(30,324)
Total gross deferred tax liabilities	(830,297)	(666,770)
Net deferred tax asset	$ 187,754	$ 450,441

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 $34,924 valuation allowance for deferred tax assets at December 31, 2014 and $35,673 at December 31, 2013 associated with the 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, 2014. 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 2011 and subsequent years are subject to examination by taxing authorities.

8. COMMITMENTS AND CONTINGENCIES

We entered into agreements to lease equipment and office facilities under non-cancellable operating lease agreements expiring on various dates through 2039. We may, at our option, extend the lease of our office facility at 256 Meeting Street in Charleston, South Carolina, for two additional ten year periods, extend the lease of our 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, we rent office space at 1071 Morrison Drive Charleston, South Carolina, to house our Mortgage Department. This lease renews every two years. 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, 2014 are as follows:

2015	$609,074
2016	597,864
2017	615,122
2018	622,890
2019	614,103
2020 and thereafter	5,913,403
Total	$8,972,456

Total rental expense was $572,395, $555,646 and $531,094 in 2014, 2013 and 2012, respectively.

On January 28, 2014, we signed a lease to open a banking office located on Highway 78, North Charleston, South Carolina (Filed with 2013 10-K). The building is expected to be completed in late 2016. Rental payments do not commence until we take control of our space.

We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our 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. Our 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. We use 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. If deemed necessary, the amount of collateral obtained upon extension of credit is based on our 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 $62,597,548 and $64,830,461 at December 31, 2014 and 2013, respectively.

Standby letters of credit represent our obligation to a third party contingent upon the failure by our customer to perform under the terms of an underlying contract with the third party or obligates us 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. We 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, 2014 and 2013, we have 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, 2014 and 2013 was $577,943 and $557,593, respectively.

We originate certain fixed rate residential loans and commit these loans for sale. The commitments to originate fixed rate residential loans and the sale commitments are freestanding derivative instruments. We had forward sales commitments, totaling $7.3 million at December 31, 2014 to sell loans held for sale of $7.3 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, 2014. We have no embedded derivative instruments requiring separate accounting treatment.

9. RELATED PARTY TRANSACTIONS

In the opinion of management, loans to our officers and directors are made on substantially the same terms, including interest rates and collateral, as those terms prevailing at the time for comparable loans with persons not related to the lender that do not involve more than the normal risk of collectability. There were no outstanding loans to our executive officers as of December 31, 2014 and 2013. Related party loans are summarized as follows:

	DECEMBER 31,			
		2014		2013
Balance at beginning of year	$	9,196,360	$	10,384,505
New loans or advances		19,323,171		3,317,714
Repayments		(21,543,302)		(4,505,859)
Balance at end of year	$	6,976,229	$	9,196,360

At December 31, 2014 and 2013, total deposits held by related parties were $6,087,307 and $6,200,370 respectively.

10. OTHER EXPENSE

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

	YEARS ENDED DECEMBER 31,					
		2014		2013		2012
Advertising and business	$	12,695	$	15,558	$	21,422
Supplies		123,087		100,359		118,881
Telephone and postage		193,039		177,551		177,899
Insurance		44,271		40,930		34,575
Professional fees		411,742		389,306		504,888
Data processing services		493,977		444,136		559,867
State and FDIC insurance and fees		216,129		202,043		196,263
Courier service		104,366		101,338		159,943
Other		571,752		648,734		555,629
	$	2,171,058	$	2,119,955	$	2,329,367

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

We have 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. All employees are eligible to participate in this plan if the Executive Committee, in its sole discretion, determines that such person has contributed or can be expected to contribute to our profits or growth.

On July 24, 2014, the Executive Committee granted options to purchase an aggregate of 10,000 shares to twelve employees. Fair value was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions: dividend yield 3.74%, historical volatility 31.69%, risk free interest rate of 2.52% and an expected life of 10 years.

On June 27, 2013, the Executive Committee granted options to purchase an aggregate of 5,000 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 3.98%, historical volatility 36.34%, risk free interest rate of 2.49%, and an expected life of ten years. On December 19, 2013, the Executive Committee granted options to purchase an aggregate of 2,000 shares to three employees. Fair value was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions: dividend yield 3.98%, historical volatility 36.34%, risk free interest rate of 2.94%, and an expected life of ten years.

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%. On September 24, 2012, the Board of Director's granted options to purchase 2,500 shares to one employee. 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%.

There are currently options to purchase 24,915 shares outstanding under the 1998 Omnibus Stock Incentive Plan with options to purchase 16,280 exercisable at December 31, 2014. This plan has expired, however, those shares granted before the expiration date, may still be exercised.

A summary of the activity under the 1998 and 2010 Omnibus Stock Incentive Plans for the years ended December 31, 2014, 2013, and 2012 follows:

	December 31,								
	2014			2013			2012		
	Shares		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price
Outstanding, January 1	159,165	$	11.34	174,467	$	11.20	168,266	$	11.23
Granted	10,000		14.84	7,000		13.48	11,500		11.30
Expired	(6,500)		12.27	(9,653)		11.91	(4,000)		13.75
Exercised	(2,500)		10.42	(12,649)		10.16	(1,299)		8.54
Outstanding, December 31	160,165	$	11.53	159,165	$	11.34	174,467	$	11.20

December 31, 2014							
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
$ 15.11	13,915	1.4	$ 15.11	$ (4,453)	11,000	$ 15.11	$ (3,520)
$ 14.54	5,500	2.0	$ 14.54	$ 1,375	3,300	$ 14.54	$ 825
$ 13.73	3,300	2.5	$ 13.73	$ 3,498	1,100	$ 13.73	$ 1,166
$ 12.90	2,200	3.2	$ 12.90	$ 4,158	880	$ 12.90	$ 1,663
$ 10.77	16,250	5.7	$ 10.77	$ 65,325	-	$ -	$ -
$ 11.67	5,000	6.2	$ 11.67	$ 15,600	-	$ -	$ -
$ 10.42	91,000	6.5	$ 10.42	$ 397,600	-	$ -	$ -
$ 11.11	8,250	7.6	$ 11.11	$ 30,360	-	$ -	$ -
$ 12.00	2,500	7.9	$ 12.00	$ 6,975	-	$ -	$ -
$ 12.84	1,000	8.6	$ 12.84	$ 1,950	-	$ -	$ -
$ 15.00	2,000	8.9	15.00	(420)	-	$ -	$ -
$ 14.84	9,250	9.6	$ 14.84	$ (463)	-	$ -	$ -
	160,165	5.98	$ 11.53	$ 521,505	16,280	$ 14.91	$ 134

The weighted average grant-date fair value of options granted is presented below:

Weighted Average Grant-Date Fair Value		
Date of Grant	**Outstanding Shares**	**Weighted Average Grant-Date Fair Value**
2006	13,915	$4.48
2007	5,500	$4.45
2007	3,300	$4.45
2008	2,200	$3.43
2010	16,250	$6.13
2011	5,000	$4.62
2011	91,000	$4.03
2012	8,250	$2.55
2012	2,500	$2.76
2013	1,000	$3.47
2013	2,000	$4.09
2014	9,250	$3.47

The total intrinsic value of options exercised during the years ended December 31, 2014, 2013, and 2012, were $12,775, $43,156, and $2,845, respectively.

A summary of the status of our nonvested shares as of December 31, 2014 is presented below:

Nonvested Shares:	Shares		Weighted Average Grant-Date Fair Value
Nonvested at beginning of year	148,440	$	4.29
Granted	10,000		3.47
Vested	(8,055)		4.27
Forfeited	(6,500)		4.49
Nonvested at end of year	143,885	$	4.23

We recognized compensation cost for the years ended December 31, 2014, 2013 and 2012 in the amount of $74,908, $74,722, and $72,928, respectively, related to the granted options.

As of December 31, 2014, there was a total of $437,452 in 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 5.98 years.

We 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 $280,000, in the years ended December 31, 2014 and 2013, respectively, and $285,000 for the year ended December 31, 2012.

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. Cash dividends when declared, are paid by the Bank to the Company for distribution to shareholders of the Company. The Bank paid dividends of $2,865,000, $2,245,000 and $2,160,000 to the Company during the years ended December 31, 2014, 2013 and 2012, respectively.

13. INCOME PER COMMON SHARE

Basic income per share are computed by dividing net income by the weighted-average number of common shares outstanding. Diluted income 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.

Options to purchase 146,250 shares were used in the computation of diluted income per share at December 31, 2014. All options outstanding, (options to purchase 159,165) at December 31, 2013, were used in the computation of diluted earnings per share at December 31, 2013. Options to purchase 34,675 shares of common stock with prices ranging from $11.67 to $15.11 per share were not included in the computation of diluted earnings per share for 2012 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:

	2014		2013		2012	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Weighted average shares outstanding	4,461,388	4,461,388	4,452,642	4,452,642	4,445,738	4,445,738
Effect of dilutive shares:						
Stock options	-	114,677	-	9,311	-	-
Average shares outstanding	4,461,388	4,576,065	4,452,642	4,461,953	4,445,738	4,445,738

14. REGULATORY CAPITAL REQUIREMENTS

Current quantitative measures established by regulation to ensure capital adequacy require that we 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. We believe, as of December 31, 2014, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

At December 31, 2014 and 2013, the Company and the Bank were 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.

December 31, 2014

	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	$38,752	14.98%	$20,694	8.00%	$ N/A	N/A
Bank	$38,459	14.88%	$20,676	8.00%	$25,845	10.00%
Tier 1 capital to risk-weighted assets:						
Company	$35,517	13.73%	$10,347	4.00%	$ N/A	N/A
Bank	$35,227	13.63%	$10,338	4.00%	$15,507	6.00%
Tier 1 capital to average assets:						
Company	$ 35,517	9.44%	$15,042	4.00%	$ N/A	N/A
Bank	$35,227	9.37%	$15,033	4.00%	$18,792	5.00%

December 31, 2013

(Dollars in Thousands)	Actual Amount	Actual Ratio	For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio
Total capital to risk-weighted assets:						
Company	$36,932	14.67%	$20,140	8.00%	$ N/A	N/A
Bank	$36,653	14.57%	$20,126	8.00%	$25,157	10.00%
Tier 1 capital to risk-weighted assets:						
Company	$33,783	13.42%	$10,070	4.00%	$ N/A	N/A
Bank	$33,506	13.32%	$10,063	4.00%	$15,094	6.00%
Tier 1 capital to average assets:						
Company	$33,783	9.81%	$ 13,799	4.00%	$ N/A	N/A
Bank	$33,506	9.73%	$13,772	4.00%	$17,215	5.00%

On July 2, 2013, the Federal Reserve Board approved the final rules implementing the Basel Committee on Banking Supervision's ("BCBS") capital guidelines for US banks. Under the final rules, minimum requirements will increase for our quantity and quality of the capital. The rules include a new common equity Tier 1 capital to risk-weighted assets ratio of 4.5% and a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets. The final rule also raises the minimum ratio of Tier 1 capital to risk-weighted assets from 4% to 6% and requires a minimum leverage ratio of 4%. The final rule also implements strict eligibility criteria for regulatory capital instruments and improves the methodology for calculating risk-weighted assets to enhance risk sensitivity.

On July 9, 2013 the FDIC also approved, as an interim final rule, the regulatory capital requirements for US banks, following the actions of the Federal Reserve Bank. The FDIC's rule is identical in substance to the final rules issued by the Federal Reserve Bank.

The phase-in-period for the final rules will begin on January 1, 2015, with full compliance with all of the final rule requirements phased in over a multi-year schedule. Management believes that as of December 31, 2014, the Company and the Bank would remain "well capitalized" under the new rules.

15. DISCLOSURES REGARDING FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements: Fair value measurements apply whenever GAAP requires or permits assets or liabilities to be measured at fair value either on a recurring or nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the measurement date. Fair value is based on the assumptions that we believe market participants would use when pricing an asset or liability. Fair value measurement and disclosure guidance establishes a three-level fair value hierarchy that prioritizes the use of inputs used in valuation methodologies.

The three levels of input that may be used to measure fair value are the following:

Level 1	Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that we have 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.

Investment Securities Available for Sale

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, 2014 and December 31, 2013 are as follows:

Balance at December 31, 2014								
		Quoted Market Price in active markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		
US Treasury Notes	$	29,248,281	$	-	$	-	$	29,248,281
Government Sponsored Enterprises	$	-	$	50,142,649	$	-	$	50,142,649
Municipal Securities	$	-	$	33,226,093	$	1,377,089	$	34,603,182
Total	$	29,248,281	$	83,368,742	$	1,377,089	$	113,994,112

Balance at December 31, 2013								
		Quoted Market Price in active markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		
US Treasury Notes	$	15,832,401	$	-	$	-	$	15,832,401
Government Sponsored Enterprises	$	-	$	43,635,038	$	-	$	43,635,038
Municipal Securities	$	-	$	33,655,445	$	1,525,337	$	35,180,782
Total	$	15,832,401	$	77,290,483	$	1,525,337	$	94,648,221

Other Real Estate Owned (OREO)

Loans, secured by real estate, are adjusted to fair value upon transfer to 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 our 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, we record the asset as nonrecurring Level 2. When an appraised value is not available or we determine the fair value of the collateral is further impaired below the appraised value and there is no observable market price, we record the asset as nonrecurring Level 3. We had one property valued at $521,943 classified as Other Real Estate Owned at December 31, 2014 with no Other Real Estate Owned at December 31, 2013. One property valued at $35,473 was classified as Other Real Estate Owned and was ultimately sold at a gain of $2,382 during the year ended December 31, 2014.

Impaired Loans

We do 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 we are provided information that indicates that we will not collect all principal and interest as scheduled

Once a loan is identified as individually impaired, we measure the impairment in accordance with 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, we review the most recent appraisal and if it is over 12 to 18 months old we may 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, we 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 our primary market area, we 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 we are familiar with the property and surrounding areas and where the original appraisal value far exceeds the recorded investment in the loan, we 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 and updated 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, 2014 and December 31, 2013, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with ASC 820 “Fair Value Measurement”, impaired loans, where an allowance is established based on the fair value of collateral, require classification in the fair value hierarchy. We record the impaired loan as nonrecurring Level 3.

Mortgage Loans To Be Sold

We originate fixed and variable rate residential mortgage loans on a service release basis in the secondary market. Loans closed but not yet settled with an investor are carried in our loans held for sale portfolio. These loans are fixed and variable rate residential mortgage loans that have been originated in our 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 our customers. Therefore, these loans present very little market risk. We usually deliver to, and receive 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. We are 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, 2014, and 2013, for which a nonrecurring change in fair value has been recorded during the twelve months ended December 31, 2014, and 2013.

December 31, 2014								
		Quoted Market Price in active markets (Level 1)		**Significant Other Observable Inputs (Level 2)**		**Significant Unobservable Inputs (Level 3)**		**Total**
Impaired loans	$	-	$	-	$	5,767,240	$	5,767,240
Mortgage loans to be sold		-		7,325,081		-		7,325,081
Other real estate owned		-		521,943		-		521,943
Total	$	-	$	7,847,024	$	5,767,240	$	13,614,264

December 31, 2013								
		Quoted Market Price in active markets (Level 1)		**Significant Other Observable Inputs (Level 2)**		**Significant Unobservable Inputs (Level 3)**		**Total**
Impaired loans	$	-	$	-	$	4,959,281	$	4,959,281
Mortgage loans to be sold		-		4,739,343		-		4,739,343
Other real estate owned		-		-		-		-
Total	$	-	$	4,739,343	$	4,959,281	$	9,698,624

		Inputs	
	Valuation Technique	Unobservable Input	General Range of Inputs
Nonrecurring measurements:			
Impaired Loans	Discounted Appraisals	Collateral Discounts	0 – 25%
Other Real Estate Owned	Appraisal Value/ Comparison Sales/Other Estimates	Appraisals and or Sales of Comparable Properties	Appraisals Discounted 10% to 20% for Sales Commissions and Other Holding Costs

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, and 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 financial instruments do not represent the underlying value of those instruments on our books.

The following describes the methods and assumptions we use in estimating the fair values of financial instruments:

a. Cash and due from banks, interest-bearing deposits in other banks
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 at December 31, 2014 and December 31, 2013, 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 our financial instruments as of December 31, 2014 and December 31, 2013. 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, 2014 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	$	234,117,792	$	234,204,303	$	-	$	-	$	234,204,303
Financial Instruments-Liabilities										
Deposits	$	322,419,027	$	322,435,308	$	-	$	322,435,308	$	-

December 31, 2013 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	$	218,320,304	$	218,406,792	$	-	$	-	$	218,406,792
Financial Instruments-Liabilities										
Deposits	$	305,242,655	$	305,269,155	$	-	$	305,269,155	$	-

		December 31, 2014		
		Notional Amount		Fair Value
Off-Balance Sheet Financial				
Instruments:				
Commitments to extend credit	$	62,597,548	$	-
Standby letters of credit		577,943		-

		December 31, 2013		
		Notional Amount		**Fair Value**
Off-Balance Sheet Financial				
Instruments:				
Commitments to extend credit	$	64,830,461	$	-
Standby letters of credit		557,593		-

The following table is a summary of the carrying value and estimated fair value of the Company's financial instruments as of December 31, 2014 and 2013:

		2014								
		Carrying Amount		**Estimated Fair Value**		**Level 1**		**Level 2**		**Level 3**
Financial Assets:										
Cash and due from banks	$	4,698,435	$	4,698,435		4,698,435		-		-
Interest-bearing deposits in other banks		5,680,613		5,680,613		5,680,613		-		-
Investments available for sale		113,994,112		113,994,112		29,248,281		83,368,742		1,377,089
Mortgage loans to be sold		7,325,081		7,325,081		-		7,325,081		
Loans		234,117,792		234,204,303		-		-		234,204,303
Financial Liabilities:										
Deposits		322,419,027		322,435,308		-		322,435,308		-
		Notional Amount		**Fair Value**						
Off-Balance Sheet Financial Instruments:										
Commitments to extend credit	$	62,597,548	$	-	$	-		-	$	-
Standby letters of credit		577,943		-		-		-		-

		2013								
		Carrying Amount		Estimated Fair Value		Level 1		Level 2		Level 3
Financial Assets:										
Cash and due from banks	$	6,043,375	$	6,043,375	$	6,043,375	$	-	$	-
Interest-bearing deposits in other banks		16,080,721		16,080,721		16,080,721		-		-
Investments available for sale		94,648,221		94,648,221		15,832,401		77,290,483		1,525,337
Mortgage loans to be sold		4,739,343		4,739,343		-		4,739,343		-
Loans		218,320,304		218,406,792		-		-		218,406,792
Financial Liabilities:										
Deposits		305,242,655		305,269,155		-		305,269,155		-
		Notional Amount		Fair Value						
Off-Balance Sheet Financial Instruments:										
Commitments to extend credit	$	64,830,461		-	$	-	$	-	$	-
Standby letters of credit		557,593		-		-		-		-

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, 2014 and 2013, and the related condensed statements of operations and cash flows for the years ended December 31, 2014, 2013 and 2012, are as follows:

CONDENSED STATEMENTS OF FINANCIAL CONDITION

	2014	2013
Assets		
Cash	$ 648,194	$ 675,367
Investment in wholly-owned bank subsidiary	36,469,571	34,461,652
Other assets	222,197	181,779
Total assets	$ 37,339,962	$ 35,318,798
Liabilities and shareholders’ equity		
Other Liabilities	579,980	579,655
Shareholders’ equity	36,759,982	34,739,143
Total liabilities and shareholders' equity	$ 37,339,962	$ 35,318,798

BANK OF SOUTH CAROLINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED STATEMENTS OF OPERATIONS

	2014	2013	2012
Interest income	$ 306	$ 220	$ 257
Net operating expenses	(187,284)	(169,887)	(213,254)
Dividends received from bank	2,865,000	2,245,000	2,160,000
Equity in undistributed earnings of subsidiary	1,720,798	2,001,591	1,719,825
Net income	$ 4,398,820	$ 4,076,924	$ 3,666,828

CONDENSED STATEMENTS OF CASH FLOWS

	2014	2013	2012
Cash flows from operating activities:			
Net income	$ 4,398,820	$ 4,076,924	$ 3,666,828
Stock-based compensation expense	74,908	74,722	72,928
Equity in undistributed earnings of subsidiary	(1,720,798)	(2,001,591)	(1,719,825)
Decrease (increase) in other assets	(40,092)	(41,895)	3,390
Net cash provided by operating activities	2,712,838	2,108,160	2,023,321
Cash flows from financing activities:			
Dividends paid	(2,766,061)	(1,647,576)	(2,489,610)
Stock options exercised	26,050	128,477	11,094
Net cash used by financing activities	(2,740,011)	(1,519,098)	(2,478,516)
Net (decrease) increase in cash	(27,173)	589,062	(455,195)
Cash at beginning of year	675,367	86,305	541,500
Cash at end of year	$ 648,194	$ 675,367	$ 86,305
Change in dividend payable	$ 325	$ 579,655	$ (488,944)

17. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The tables below represent the quarterly results of operations for the years ended December 31, 2014 and 2013, respectively:

	2014			
	FOURTH	THIRD	SECOND	FIRST
Total interest and fee income	$ 3,475,648	$ 3,419,865	3,315,756	$ 3,206,985
Total interest expense	100,047	104,253	103,024	101,623
Net interest income	3,375,601	3,315,612	3,212,732	3,105,362
Provision for loan losses	20,000	12,500	20,000	30,000
Net interest income after provisions for loan losses	3,355,601	3,303,112	3,192,732	3,075,362
Other income	741,128	617,385	683,235	539,335
Other expense	2,375,787	2,241,978	2,252,940	2,240,499
Income before income tax expense	1,720,942	1,678,519	1,623,027	1,374,198
Income tax expense	529,560	536,806	513,100	418,400
Net income	$ 1,191,382	$ 1,141,713	$ 1,109,927	$ 955,798
Basic income per common share	$ 0.27	$ 0.26	$ 0.25	$ 0.21
Diluted income per common share	$ 0.26	$ 0.25	$ 0.24	$ 0.21

	2013			
	FOURTH	THIRD	SECOND	FIRST
Total interest and fee income	$ 3,220,590	$ 3,213,868	3,255,248	$ 3,062,086
Total interest expense	107,682	102,850	104,169	101,427
Net interest income	3,112,908	3,111,018	3,151,079	2,960,659
Provision for loan losses	12,500	25,000	95,000	75,000
Net interest income after provisions for loan losses	3,100,408	3,086,018	3,056,079	2,885,659
Other income	516,393	624,447	624,158	731,419
Other expense	2,227,178	2,162,238	2,161,678	2,166,756
Income before income tax expense	1,389,623	1,548,227	1,518,559	1,450,322
Income tax expense	419,755	484,050	474,485	451,517
Net income	$ 969,868	$ 1,064,177	$ 1,044,074	$ 998,805
Basic income per common share	$ 0.23	$ 0.24	$ 0.23	$ 0.22
Diluted income per common share	$ 0.22	$ 0.24	$ 0.23	$ 0.22

18. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. We have 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. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

An evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities and Exchange Act of 1934 as amended (the "Act") was carried out as of December 31, 2014 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, 2014, 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.

Management's Report on Internal Control Over Financial Reporting

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

Under the supervision and with the participation of management, including the President/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, 2014, based on the 2013 framework established in a report entitled "*Internal Control-Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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, 2014. Based on this assessment, management believes that as of December 31, 2014, 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, 2014, 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 and Compliance Committee, composed entirely of independent Directors, meets periodically with management, the Company's Compliance Officer, Risk Management Officer and Elliott Davis Decosimo, LLC (separately and jointly) to discuss audit, financial and related matters. Elliott Davis Decosimo, LLC., the Compliance Officer, and the Risk Management Officer have direct access to the Audit and Compliance 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 2014 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 Eighteen Directors of Bank of South Carolina Corporation to Serve Until the Company's 2016 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 7, 2015, 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 Eighteen Directors of Bank of South Carolina Corporation to Serve until the Company's 2016 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 Compliance Committee Financial Expert The Audit and Compliance Committee of the Company is composed of Directors Linda J. Bradley McKee, PhD., CPA., (Chairman), David W. Bunch, Katherine M. Huger, David R. Schools and Steve D. Swanson. The Board has selected the Audit and Compliance 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 and Compliance 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 and Compliance 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 22 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 22-29 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, 2014:

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]	24,915	$14.61	-
2010 Omnibus Stock Incentive Plan approved by Shareholders[3]	135,250	$10.97	155,750
Total	160,165	$11.53	155,750

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. During the year ended December 31, 2014, no options were exercised or forfeited under the 1998 Omnibus Stock Incentive Plan.

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 to purchase 33,000 shares were granted to 21 employees (other than Executive Officers) with options to purchase 750 shares forfeited with the resignation of one employee 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 including Sheryl G. Sharry and Fleetwood S. Hassell, both Executive Officers who each received options to purchase 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 to purchase 5,750 shares were forfeited with the resignation of two employees. On June 28, 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. On June 27, 2013 options to purchase 5,000 shares were granted to 5 employees. Options to purchase 2,000 shares were granted to 3 employees on December 19, 2013. Options to purchase 9,653 shares were forfeited during the year ended December 31, 2013. On July 24, 2014, options to purchase an aggregate of 10,000 shares were granted to twelve employees. Options to purchase 6,500 shares were forfeited with the resignation of 4 employees during the year ended December 31, 2014.

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 is 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 pages 4-7 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 Eighteen Directors of Bank of South Carolina Corporation to Serve Until the Company's 2016 Annual Meeting of Shareholders" and "Meetings and Committees of the Board of Directors and Corporate Governance Matters", included on pages 8-27 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 Decosimo, LLC as independent public accountant for the year ending December 31, 2015 and "Auditing and Related Fees", included on page 29 of the Proxy Statement.

PART IV

Item 15. <u>Exhibits and Financial Statement Schedules</u>

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

		Page
(1)	Report of Independent Registered Public Accounting Firm	33
(2)	Consolidated Balance Sheets	34
(3)	Consolidated Statements of Operations	35
(4)	Consolidated Statements of Comprehensive Income	36
(6)	Consolidated Statements of Shareholders' Equity	37
(7)	Consolidated Statements of Cash Flows	38
(8)	Notes to Consolidated Financial Statements	39 - 76

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	2015 Proxy Statement (Filed with 2014 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)
	Lease Agreement for 1071 Morrison Drive, Charleston, SC (Filed with March 31, 2013 10-Q)
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)
10.8	Lease Agreement for Highway 78 Ingleside Boulevard North Charleston, SC (Filed with 2013 10-K)
13.0	2013 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)
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

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 26, 2015

BANK OF SOUTH CAROLINA CORPORATION

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

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

Pursuant to the requirements of the Securities Exchange Act of 1934, 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 26, 2015	/s/David W. Bunch David W. Bunch, Director
February 26, 2015	/s/Graham M. Eubank, Jr. Graham M. Eubank, Jr., Director
February 26, 2015	/s/Elizabeth M. Hagood Elizabeth M. Hagood, Director
February 26, 2015	/s/Fleetwood S. Hassell Fleetwood S. Hassell, President/Chief Executive Office, Director
February 26, 2015	Glen B. Haynes, DVM, Director
February 26, 2015	/s/William L. Hiott, Jr. William L. Hiott, Jr., Director
February 26, 2015	/s/Katherine M. Huger Katherine M. Huger, Director
February 26, 2015	/s/Richard W. Hutson, Jr. Richard W. Hutson, Jr., Director
February 26, 2015	/s/Charles G. Lane Charles G. Lane, Director
February 26, 2015	/s/Hugh C. Lane, Jr. Hugh C. Lane, Jr., Chairman of the Board, Director
February 26, 2015	/s/Linda J. Bradley McKee Linda J. Bradley McKee, PHD,CPA, Director
February 26, 2015	/s/Alan I. Nussbaum Alan I. Nussbaum, MD, Director
February 26, 2015	/s/Edmund Rhett, Jr. Edmund Rhett, Jr., MD, Director
February 26, 2015	/s/Malcolm M. Rhodes Malcolm M. Rhodes, MD, Director
February 26, 2015	/s/Douglas H. Sass Douglas H. Sass Executive Vice President, Director

February 26, 2015	/s/David R. Schools David R. Schools, Director
February 26, 2015	/s/Sheryl G. Sharry Sheryl G. Sharry Chief Financial Officer/Executive Vice President, Director
February 26, 2015	/s/Steve D. Swanson Steve D. Swanson, Director

EXHIBIT 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A)/15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934

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 and Compliance 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 26, 2015

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

EXHIBIT 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(A)/15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934

CERTIFICATION

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 and Compliance 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 26, 2015

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

Exhibit 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT TO 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, 2014 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 26, 2015

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

Exhibit 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT TO 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, 2014 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 26, 2015

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

CORPORATE INFORMATION

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

*Costa V. Thomas
Assistant Secretary

Sally I. Altman
Senior Vice President

Rovina Andrade
Assistant Vice President

Stacy Arnett
Assistant Vice President

Lucy E. Ashley
Senior *Vice President*

Nancy Batchelder
Vice President

Rhett D. Bearden
Vice President

Susanne K. Boyd
Senior Vice President

Mignonne H. Buhrmaster
Vice President

Tracy Searson Causby
Vice President

C. Lynn Christian
Senior Vice President

Ellen J. Cox
Assistant Vice President

Jennifer A. Crabb
Vice President

Michelle Crisp
Training Officer

Leon B. de Brux
Senior Vice President

Heather Flynn
Branch Manager

Ryan Gesser
Vice President

Ann S. Gregorie
Senior 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

Zachary Shaw
Loan Officer

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
Assistant Vice President

Tammy Tucker
Vice President

Brian Turner
Vice President

Gene Walpole
Vice President

Carson Williams
Vice President

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

EMPLOYEES

Brenda Allen-Trader
Emily Bailey
Ann Baker
Linda Batdorff
Patti Black
Heywood Bonner
Suzanne Bostick
Ryan Brown
Linda Bryant
Allison Bussells
Teresa Byrnes
Rebecca Crane
Garret Fleming
Susan Getz
Ruth Green
Bree Greer
Maggie Harken
Robert Hollings III
Eugenia Hollington
Gail Johanson
Taylor Johanson
Thomas Johnson
Brittany Liles
Jessica Little
Jo-Chi Mao
Susan Martin
Linda Menor
Charlotte Morrow
Madison Norris
Melanie Pasheluk
Sarah Pearson
Sarah Beth Pittman
Jenny Roman
Andy Slanker
Kathy Sutler
Perry Trouche
Kelly Welch
Laura Wells
Susan West

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

Visit www.banksc.com

BOARD OF DIRECTORS

NOT PICTURED:
David R. Schools

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The Bank of South Carolina

CONTINUING PRUDENT USE OF TECHNOLOGY, BUILDING OUR BASE OF YOUNG BANKERS, AND ADHERING TO THE FUNDAMENTALS OF OUR BUSINESS WILL CONTINUE TO DRIVE THE EFFICIENCY OF OUR OPERATION AND ENSURE THE LONGEVITY OF OUR UNIQUE POSITION AS THE #1 COMMUNITY BANK IN THE STATE.

FLEETWOOD S. HASSELL, PRESIDENT & CEO

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P 843-832-7100 : F 843-832-7115

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BKSC