

BANK OF SOUTH CAROLINA CORP
Form 10-Q
August 10, 2018

**United States
Securities and Exchange Commission**

Washington, D.C. 20549

Form 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **June 30, 2018**

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number: 0-27702

Bank of South Carolina Corporation

(Exact name of registrant issuer 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)

(843) 724-1500

(Registrant's telephone number)

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its Company Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of July 31, 2018, there were 5,510,538 Common Shares outstanding.

Bank of South Carolina Corporation and Subsidiary

Table of Contents

	<u>Page</u>
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets – June 30, 2018 and December 31, 2017</u>	3
<u>Consolidated Statements of Income - Three months ended June 30, 2018 and 2017</u>	4
<u>Consolidated Statements of Income - Six months ended June 30, 2018 and 2017</u>	5
<u>Consolidated Statements of Comprehensive Income – Three and Six months ended June 30, 2018 and 2017</u>	6
<u>Consolidated Statements of Shareholders’ Equity- Six months ended June 30, 2018 and 2017</u>	7
<u>Consolidated Statements of Cash Flows - Six months ended June 30, 2018 and 2017</u>	8
<u>Notes to Consolidated Financial Statements</u>	9
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	29
<u>Off-Balance Sheet Arrangements</u>	34
<u>Liquidity</u>	35
<u>Capital Resources</u>	35
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	36
<u>Item 4. Controls and Procedures</u>	36
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	37
<u>Item 1A. Risk Factors</u>	37
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	37
<u>Item 3. Defaults Upon Senior Securities</u>	37
<u>Item 4. Mine Safety Disclosure</u>	37
<u>Item 5. Other Information</u>	37
<u>Item 6. Exhibits</u>	37
<u>Signatures</u>	39
<u>Certifications</u>	40

Part I. Financial Information**Item 1. Financial Statements****BANK OF SOUTH
CAROLINA
CORPORATION
AND
SUBSIDIARY****CONSOLIDATED
BALANCE
SHEETS**

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
ASSETS		
Cash and due from banks	\$7,945,003	\$8,486,025
Interest-bearing deposits at the Federal Reserve	14,319,336	24,034,194
Investment securities available for sale	119,831,325	139,250,250
Mortgage loans to be sold	3,651,150	2,093,723
Loans	278,104,537	270,180,640
Less: Allowance for loan losses	(4,007,464)	(3,875,398)
Net loans	274,097,073	266,305,242
Premises, and equipment and leasehold improvements, net	2,279,016	2,244,525
Other real estate owned	411,842	435,479
Accrued interest receivable	1,568,814	1,720,920
Other assets	2,667,346	1,996,140
Total assets	\$426,770,905	\$446,566,498
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing demand	\$130,654,687	\$139,256,748
Interest bearing demand	97,358,521	108,967,196
Money market accounts	74,370,149	77,833,728
Time deposits over \$250,000	21,917,734	18,624,924
Other time deposits	23,573,597	23,295,492
Other savings deposits	34,464,921	34,910,212
Total deposits	382,339,609	402,888,300

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Accrued interest payable and other liabilities	1,206,562	913,563
Total liabilities	383,546,171	403,801,863
Shareholders' equity		
Common stock - no par 12,000,000 shares authorized; Issued 5,767,173 shares at June 30, 2018 and 5,753,743 shares at December 31, 2017. Shares outstanding 5,500,616 and 5,488,207 at June 30, 2018 and December 31, 2017, respectively.	—	—
Additional paid in capital	46,731,967	37,236,566
Retained earnings	894,779	8,471,780
Treasury stock: 266,557 shares as of June 30, 2018 and 265,536 shares as of December 31, 2017	(2,268,264)	(2,247,415)
Accumulated other comprehensive loss, net of income taxes	(2,133,748)	(696,296)
Total shareholders' equity	43,224,734	42,764,635
Total liabilities and shareholders' equity	\$426,770,905	\$446,566,498

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	Three Months Ended	
	June 30,	
	2018	2017
Interest and fee income		
Loans, including fees	\$3,704,752	\$3,221,855
Taxable securities	470,411	399,909
Tax-exempt securities	175,674	256,202
Other	73,030	55,319
Total interest and fee income	4,423,867	3,933,285
Interest expense		
Deposits	139,697	106,522
Total interest expense	139,697	106,522
Net interest income	4,284,170	3,826,763
Provision for loan losses	75,000	30,000
Net interest income after provision for loan losses	4,209,170	3,796,763
Other income		
Service charges, fees and commissions	296,372	287,873
Mortgage banking income	250,554	400,519
Gain on sales of securities	387	—
Other non-interest income	7,783	8,087
Total other income	555,096	696,479
Other expense		
Salaries and employee benefits	1,576,452	1,500,362
Net occupancy expense	422,059	393,763
Other operating expenses	628,867	649,855
Net other real estate owned expenses	24,137	46,143
Total other expense	2,651,515	2,590,123
Income before income tax expense	2,112,751	1,903,119
Income tax expense	386,394	516,734
Net Income	\$1,726,357	\$1,386,385
Weighted average shares outstanding		
Basic	5,492,896	5,464,697
Diluted	5,586,585	5,588,687

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Basic income per common share	\$0.31	\$0.25
Diluted income per common share	\$0.31	\$0.25

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	Six Months Ended	
	June 30,	
	2018	2017
Interest and fee income		
Loans, including fees	\$7,263,738	\$6,363,593
Taxable securities	940,914	738,756
Tax-exempt securities	403,741	527,087
Other	135,483	95,270
Total interest and fee income	8,743,876	7,724,706
Interest expense		
Deposits	249,527	203,304
Total interest expense	249,527	203,304
Net interest income	8,494,349	7,521,402
Provision for loan losses	130,000	32,500
Net interest income after provision for loan losses	8,364,349	7,488,902
Other income		
Service charges, fees and commissions	591,663	557,439
Mortgage banking income	390,469	675,624
Gain on sales of securities	4,735	—
Other non-interest income	16,174	15,290
Total other income	1,003,041	1,248,353
Other expense		
Salaries and employee benefits	3,149,172	2,970,571
Net occupancy expense	805,391	757,908
Other operating expenses	1,314,649	1,287,131
Net other real estate owned expenses	24,137	46,143
Total other expense	5,293,349	5,061,753
Income before income tax expense	4,074,041	3,675,502
Income tax expense	735,454	1,063,029
Net Income	\$3,338,587	\$2,612,473
Weighted average shares outstanding		
Basic	5,339,187	5,461,603
Diluted	5,433,360	5,584,373

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Basic income per common share	\$0.63	\$0.48
Diluted income per common share	\$0.61	\$0.47

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

	Three Months Ended June 30,	
	2018	2017
Net Income	\$1,726,357	\$1,386,385
Other comprehensive (loss) income		
Unrealized (loss) gain on securities arising during the period	(477,253)	996,733
Reclassification adjustment for securities gains realized in net income	(387)	—
Other comprehensive (loss) income before tax	(477,640)	996,733
Income tax effect related to items of other comprehensive (loss) income before tax	88,816	(338,889)
Other comprehensive (loss) income after tax	(388,824)	657,844
Total comprehensive income	\$1,337,533	\$2,044,229

	Six Months Ended June 30,	
	2018	2017
Net Income	\$ 3,338,587	\$ 2,612,473
Other comprehensive (loss) income		
Unrealized (loss) gain on securities arising during the period	(1,814,824)	1,582,555
Reclassification adjustment for securities gains realized in net income	(4,735)	—
Other comprehensive (loss) income before tax	(1,819,559)	1,582,555
Income tax effect related to items of other comprehensive (loss) income before tax	382,107	(555,643)
Other comprehensive (loss) income after tax	(1,437,452)	1,026,912
Total comprehensive income	\$ 1,901,135	\$ 3,639,385

See accompanying notes to consolidated financial statements.

6

**BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017 (UNAUDITED)**

	Additional Paid in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
December 31, 2016	\$36,824,022	\$6,643,476	\$(2,247,415)	\$ (607,109)	\$40,612,974
Net income	—	2,612,473	—	—	2,612,473
Other comprehensive loss	—	—	—	1,026,912	1,026,912
Stock option exercises	154,858	—	—	—	154,858
Stock-based comp expense	36,542	—	—	—	36,542
Cash dividends (\$0.28 per common share)	—	(1,390,800)	—	—	(1,390,800)
June 30, 2017	\$37,015,422	\$7,865,149	\$(2,247,415)	\$ 419,803	\$43,052,959
December 31, 2017	\$37,236,566	\$8,471,780	\$(2,247,415)	\$ (696,296)	\$42,764,635
Net income	—	3,338,587	—	—	3,338,587
Other comprehensive loss	—	—	—	(1,437,452)	(1,437,452)
Stock option exercises	123,296	—	(20,849)	—	102,447
Stock-based comp expense	37,763	—	—	—	37,763
Cash dividends (\$0.29 per common share)	—	(1,581,246)	—	—	(1,581,246)
Common stock dividend, 10%	9,334,342	(9,334,342)	—	—	—
June 30, 2018	\$46,731,967	\$894,779	\$(2,268,264)	\$ (2,133,748)	\$43,224,734

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30, 2018 2017	
Cash flows from operatin		