2023

ANNUAL REPORT

FIVE-YEAR FINANCIAL PERFORMANCE

Year Ended December 31	**2023**	2022	2021	2020	2019
Net Income	**$ 5,493,616**	$ 6,655,140	$ 6,744,865	$ 6,460,631	$ 7,318,433
Performance Ratios:					
Return on Average Equity	**12.90%**	15.26%	12.30%	11.96%	14.86%
Return on Average Assets	**0.86%**	1.01%	1.14%	1.29%	1.66%
Average Equity to Average Assets	**6.66%**	6.64%	9.30%	10.75%	11.18%
Net Interest Margin	**3.04%**	3.01%	3.06%	3.52%	4.28%
Net (Recoveries) Charge-offs to Average Loans	**0.00%**	0.00%	-0.02%	0.02%	0.14%
Allowance for Loan Losses as a Percentage of Total Loans [1]	**1.07%**	1.30%	1.43%	1.30%	1.46%
Per Share Data:					
Basic Income	**$ 0.99**	$ 1.20	$ 1.22	$ 1.17	$ 1.33
Diluted Income	**$ 0.98**	$ 1.18	$ 1.19	$ 1.14	$ 1.31
Year-End Book Value	**$ 8.61**	$ 6.99	$ 9.73	$ 9.96	$ 9.25
Cash Dividends Declared	**$ 0.68**	$ 0.68	$ 0.78	$ 0.66	$ 0.74
Dividend Payout Ratio	**68.25%**	56.73%	63.98%	56.44%	55.58%
Selected Average Balances:					
Total Assets	**$ 639,728,141**	$ 656,833,125	$ 589,379,985	$ 502,628,318	$ 440,615,140
Total Loans [2]	**$ 339,912,450**	$ 320,826,946	$ 324,078,445	$ 313,303,363	$ 281,508,711
Total Deposits	**$ 552,955,814**	$ 596,881,098	$ 519,900,412	$ 434,071,108	$ 381,687,960
Total Shareholders' Equity	**$ 42,597,908**	$ 43,602,112	$ 54,838,166	$ 54,021,647	$ 49,242,545

[1] Excluding mortgage loans to be sold
[2] Including mortgage loans to be sold

EARNINGS & CASH DIVIDENDS PAID SINCE 1987

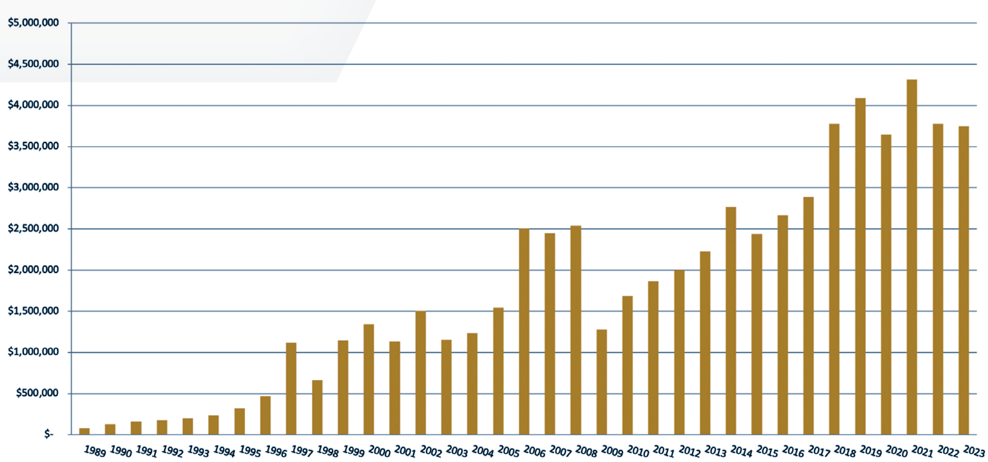
CUMULATIVE EARNINGS

$110.5M

CUMULATIVE CASH DIVIDENDS

$63.5M

ANNUAL CASH DIVIDEND HISTORY



The Bank of South Carolina

The Bank of South Carolina is a state-chartered financial institution with depository accounts insured by the FDIC. The Bank was organized on October 23, 1986, and our first office opened for business on February 26, 1987. It is a wholly owned subsidiary of Bank of South Carolina Corporation which became effective on April 17, 1995.

These statements have not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation.

DEAR SHAREHOLDERS, CUSTOMERS, EMPLOYEES, AND FRIENDS:

On behalf of the Directors and Employees of Bank of South Carolina Corporation and its subsidiary, The Bank of South Carolina, it is our privilege to invite you to attend the annual meeting of shareholders on April 9, 2024 at 2:00 p.m. at our North Charleston office. During the meeting, we will conduct an election of Directors, vote on other matters described in the proxy statement, and review the Company's operating results for the first quarter of 2024. We encourage you to review the information contained in this Annual Report to acquaint yourself with the Company's 2023 financial performance.

Every year has its own set of challenges, and 2023 was certainly no exception. The Federal Reserve continued its steady march upward, raising short-term interest rates by 225 basis points during the year. When added to the rate increases made in 2022, the Federal Reserve has now increased rates by a combined 525 basis points in just two years. As expected, the impact of these rate increases has been felt on our balance sheet; namely, improved earning asset yields but also higher-costing liabilities. Consequently, increased funding costs outpaced our ability to reprice assets during the year, which along with a decline in mortgage volume, resulted in lower profitability for the Company. In addition, intense competition from other sectors of the financial industry led to significant deposit outflows during the year. As a result, our liquidity was stressed and caused us to place a higher reliance on short-term borrowings as a source of funding – a strategy we have not had to implement often over our thirty-seven-year history.

Despite these challenges, we were proud of the Company's financial performance this past year. Most notably:

- Return on Average Equity of 12.90%
- Return on Average Assets of 0.86%
- Improved Net Interest Margin to 3.04%
- Average loans increased 5.95%
- Increased book value per by share by 23%
- Community Bank Leverage Ratio for the Bank and Company increased to 9.73% and 9.64%, respectively
- Paid our 137th quarterly cash dividend to shareholders

2023 was also a year of many changes. As pictured on the cover of this Annual Report, we celebrated the second quarter opening of our sixth banking office at 1730 Maybank Hwy. on James Island. This location is the second one to open in the last four years and, as of January 31, 2024, our branch team has already opened up 167 new accounts! We are excited to bring our brand of banking to James Island and the surrounding sea islands, and we know we have the right employees in place to make it happen.

During the third quarter, we also took steps to voluntarily delist our common stock from the NASDAQ Capital Market as well as withdraw our registration with the SEC. By doing so, we created significant cost savings by eliminating the need to file periodic reports with the SEC, as well as reductions in accounting, audit, legal, and other costs. We are still publicly-traded with the same "BKSC" symbol, but our shares are now quoted on the OTCQX® Best Market. The Company was also an active buyer of our common stock during the year, accumulating 83,100 shares at an average price of $12.39 per share. In accordance with the guidelines and objectives of our stock repurchase program, we will continue to seek opportunities to repurchase shares as the market yields and our capital levels support. It is our fervent belief that these actions affirm our continued commitment to providing and increasing shareholder value.

Other notable activity this past year included the relocation of all Loan Department personnel from our main office to our North Charleston office, along with the implementation of a fraud prevention product for our commercial banking customers. We also celebrated the 30th anniversary of the opening of our Summerville office and welcomed Thaddeus T. Shuler as a Director. And on September 30th, former President & CEO, Fleetwood S. Hassell, retired after 36 years with the Bank. Fleetwood is a founding employee who has been instrumental to our success, and we look forward to his continued contributions as a Director.

The remarkable team of professional bankers with whom we have the privilege to work alongside every day remain our greatest asset. We would like to thank them for their steadfast devotion and dedication to the Bank, our customers, and communities in 2023.

The Federal Reserve appears poised to make a shift in monetary policy, and we will be prepared for this upcoming transition to the next interest rate cycle. The Bank of South Carolina was built to prosper no matter the current economic cycle. Our objective remains to maintain a sound and conservative balance sheet that is laser-focused on asset quality and capital preservation, while continually looking for ways to improve operational efficiency. Regardless of what comes, we will stay the course and fend off any challenges. Most assuredly, our team of experienced bankers will endeavor to distinguish ourselves in the marketplace through our commitment to responsiveness, attention to detail, customer service, and relationship banking.

Thank you for trusting us to do so.

Eugene H. Walpole, IV *President & CEO*	**Hugh C. Lane, Jr.** *Chairman*	**Susanne K. Boyd** *Executive Vice President & COO*	**Douglas H. Sass** *Executive Vice President & Senior Lender*

BANK OF SOUTH CAROLINA CORPORATION
AND SUBSIDIARY

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BANK OF SOUTH CAROLINA CORPORATION
256 Meeting Street
Charleston, South Carolina 29401
(843) 724-1500

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 9, 2024

Dear Shareholder:

I cordially invite you to attend the Annual Meeting of Shareholders of Bank of South Carolina Corporation, to be held on April 9, 2024 at 2:00 p.m. EDT at 9403 Highway 78, North Charleston, South Carolina 29456, for the following purposes:

1. to elect eighteen Directors to our Board of Directors to serve a one-year term;

2. to ratify the appointment of Elliott Davis, LLC as the Company's independent auditors for the year ending December 31, 2024;

3. to transact such other business as may properly come before the Annual Meeting or any adjournment of the meeting.

The Board of Directors has set the close of business on February 22, 2024 as the record date to determine the Shareholders who are entitled to vote at the Annual Meeting. We are providing access to our proxy materials by sending you this full set of proxy materials, including a proxy card, and notifying you of the availability of our proxy materials on the internet.

Although we would like each Shareholder to attend the Annual Meeting, we realize that for some of you this is not possible. Whether or not 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 enclosed postage-paid envelope. Internet voting permits you to vote at your convenience, 24 hours a day, seven days a week. For specific instructions on voting, please refer to the instructions on the enclosed proxy card.

Our 2024 Proxy Statement and Annual Report for the year ended December 31, 2023 are available free of charge at http://www.banksc.com and http://www.proxyvote.com.

Your vote is very important, and I appreciate the time and consideration that I am sure you will give it.

On behalf of the Board of Directors,

/s/ Richard W. Hutson, Jr.
Richard W. Hutson, Jr., Secretary
March 8, 2024

PROXY STATEMENT
FOR
THE ANNUAL MEETING OF SHAREHOLDERS
OF BANK OF SOUTH CAROLINA CORPORATION
TO BE HELD ON APRIL 9, 2024

PROXY STATEMENT

The Board of Directors of Bank of South Carolina Corporation (the "Company") is using this Proxy Statement to solicit Proxies from the Company's Shareholders for the 2024 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 8, 2024. The mailing address of the Company's principal executive offices is 256 Meeting Street, Charleston, South Carolina 29401.

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: April 9, 2024

Time: 2:00 p.m. Eastern Daylight Time

Place: The Bank of South Carolina, 9403 Highway 78, North 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 matters:

Proposal 1: To elect eighteen Directors of Bank of South Carolina Corporation to serve until the Company's 2025 Annual Meeting of Shareholders;

Proposal 2: To ratify the appointment of Elliott Davis, LLC as the Company's independent auditors for the year ended December 31, 2024;

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 9, 2024

This Proxy Statement (providing important information for the Annual Meeting) and the Company's Annual Report accompany this Notice. The Proxy Statement and 2023 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 22, 2024, 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 22, 2024, there were 5,462,794 shares of Bank of South Carolina Corporation's Common Stock outstanding and entitled to vote at the Annual Meeting.

How Do I Vote?

If you are the "record holder" of your shares, meaning that you own your shares in your own name and not through a bank, broker or other nominee, you may vote in one of four ways.

1. ***You may vote over the internet.*** If you have internet access, you may vote your shares from any location in the world by following the "Vote by Internet" instructions on the enclosed proxy card.

2. ***You may vote by telephone.*** You may vote your shares by following the "Vote by Telephone" instructions on the enclosed proxy card.

3. ***You may vote by mail.*** You may vote by completing and signing the proxy card enclosed with this proxy statement and promptly mailing it in the enclosed postage-prepaid envelope. You do not need to put a stamp on the enclosed envelope if you mail it in the United States.

4. ***You may vote in person.*** If you attend the Annual Meeting, you may vote by delivering your completed proxy card in person or voting in person 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 the Company's Common Stock are held in your name. If you are a beneficial owner of the Company's 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 the Company's 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 the Company's 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 to how to vote at the Annual Meeting, the persons named in the Proxy will vote the shares **"For"** the election of each of the eighteen nominees named in Proposal 1 and **"For** Proposal 2. 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 the Company's 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 example, you will receive three separate Proxy cards to vote.

What if My Shares Are Held in Street Name?

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 the Company's 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. All proxy solicitation expenses, including the cost of printing and mailing of all Proxy materials, will be 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.

Who Will Pay the Expenses of the Proxy Solicitation?

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. All proxy solicitation expenses, including the cost of printing and mailing of all Proxy materials, will be 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 the Company's 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 (as defined below) 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?

Yes. Per Article II, Section 13 of the Company's by-laws, every Shareholder entitled to vote on the election of directors has the right to vote the number of shares owned for as many persons as there are directors to be elected, or to cumulate their votes by giving one candidate a number of votes equal to the number of directors multiplied by the number of shares owned by the shareholder, or by distributing such votes among any number of candidates. A shareholder who intends to cumulate their votes shall either (1) give written notice of such intention to the President or other officer of the Company at least 48 hours before the Annual Meeting, or (2) announce their intention at the Annual Meeting before the voting for directors begins.

How will votes be counted?

"Withhold" votes, abstentions, and broker non-votes are counted as present or represented for purposes of determining the presence of absence of a quorum for the Annual Meeting. A broker non-vote occurs when a nominee holding shares in street name for a beneficial owner votes on one proposal but does not vote on another proposal because, with respect to such other proposal, the nominee does not have discretionary voting power and has not received voting instructions from the beneficial owner.

Under New York Stock Exchange ("NYSE") rules, Proposal 2, the ratification of the appointment of Elliott Davis, LLC, as the Company's independent auditors for 2024, is considered a "routine" matter, which means that brokerage firms may vote in their discretion on this proposal on behalf of clients who have not furnished voting instructions. However, Proposal 1, the election of directors, is a non-routine matter under the NYSE rules, which means that brokerage firms that have not received voting instructions from their clients on this matter may not vote on this proposal.

With respect to Proposal 1, the election of directors, only "for" and "withhold" votes may be cast. Broker non-votes are not considered votes cast on Proposal 1 and will therefore have no effect on the election of director nominees. "Withhold" votes will also generally have no effect on the election of director nominees.

With respect to Proposal 2, you may vote "for" or "against" this proposal or you may "abstain" from voting on this proposal. Abstentions will be counted as votes present or represented and entitled to vote on this proposal and will therefore have the same effect as a vote "against" this proposal. Because Proposal 2 is considered a "routine" matter, we do not expect any broker non-votes with respect to this proposal.

What vote is required to approve each of the proposals?

The following sets forth the voting requirement to approve each of the proposals:

Proposal 1, Election of Directors. Directors are elected by a plurality of votes cast (meaning that the 18 director nominees who receive the highest number of votes cast "for" their election will be elected as directors).

Proposal 2, Ratification of the Appointment of Independent Auditors. Ratification of the appointment of Elliott Davis, LLC, to serve as the Company's independent auditors for 2024 requires the affirmative vote of the holders of a majority of shares present in person or represented by proxy and entitled to vote on the proposal (meaning that of the shares represented at the Annual Meeting and entitled to vote, a majority of them must be voted "for" the proposal for it to be approved).

Other Items. Approval of any other matters requires the affirmative vote of the holders of a majority of shares present in person or represented by proxy and entitled to vote on the item (meaning that of the shares represented at the Annual Meeting and entitled to vote, a majority of them must be voted "for" the item for it to be approved).

How do I revoke my proxy or change my vote?

You may revoke your proxy or change your vote at any time before the vote is taken at the Annual Meeting. If you are a Shareholder of record, you may revoke your proxy or change your vote by (1) submitting a written notice of revocation to the Company's President; (2) delivering a proxy bearing a later date via the internet, by telephone, or by mail until the applicable deadline for each method; or (3) attending the Annual Meeting and voting in person. Attending the Annual Meeting will not cause your previously granted proxy to be revoked unless you vote during the meeting. For all methods of voting, the last vote cast will supersede all previous votes. If you hold your shares in street name and you have instructed your broker, bank, trustee, or other nominee to vote your shares, you may revoke or change your voting instructions by following the specific instructions provided to you by your broker, bank, trustee, or other nominee.

PROPOSAL 1: ELECTION OF DIRECTORS:

Our by-laws provide for a Board of Directors consisting of not fewer than 15 individuals and not more than 25 individuals. The number of Directors may be increased or decreased from time to time by majority vote of the Board of Directors or the Shareholders.

The Board of Directors proposes that the eighteen nominees described below be elected for a new term expiring at the 2025 Annual Meeting of Shareholders or until their respective successors are duly elected and qualified. Each nominee has agreed to serve if elected. If any named nominee is unable to serve, the Board of Directors, upon the recommendation of the Nominating Committee, may select different nominees for election as Directors.

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.

The Board of Directors believes that it is necessary for each one of our Directors to possess many qualities and skills to fulfill his or her role successfully. When searching for new candidates, the Nominating 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, community involvement, 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 are also considered.

Certain information with respect to each of the nominees is set forth below, including his or her principal occupation, qualifications, and directorships during the past five years. The Nominating Committee, whose goal is to assemble a Board that operates cohesively, encourages candid communication and discussion, and focuses on activities that help us maximize Shareholder value, recommends each of the nominees to the Board of Directors. The Nominating Committee also looks at the individual strengths of Directors, his or her ability to contribute to the Board, and whether his or her skills and experience complement those of the other Directors.

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

Executive Officer Directors

Susanne K. Boyd **Age 47** **First elected to the Board 2018**

Ms. Boyd has been with the Bank since 1997 and has served as the Courier Teller, Check Card Specialist, Electronic Banking Officer, Information Security Officer, Assistant Vice President, Vice President, and Senior Vice President of Operations and Technology. She has served as the Chief Operating Officer for the Bank and the Company since November 2015 and was named Executive Vice President for the Bank and Company in December 2017. Ms. Boyd is a graduate of College of Charleston, South Carolina Bankers School and Georgia Bankers Association Southern Operations and Technology School. She has received training in Information Security, Administration of the Bank's core system, Internet Banking Compliance and Cyber Crime and is a Certified Regulatory Vendor Program Manager. Ms. Boyd has served on the South Carolina Bankers Association Operations Committee and has been a member of the InfraGard South Carolina Chapter. Ms. Boyd serves on the Executive/Long-Range Planning Committee and Asset Liability/Investment Committee.

The Nominating Committee recommends the re-election of Ms. Boyd to the Board of Directors given her broad and unique experience in banking, in-depth knowledge of the technology and its risks related to banks, and continued commitment to the success of the Company.

Hugh C. Lane, Jr. **Age 75** **First elected to the Board 1995**

Mr. Lane, brother of Charles G. Lane, organized the Bank in 1986 and he served as President/Chief Executive Officer of the Bank from 1986 until 2012. He has served as Chairman of the Board of Directors of the Bank since its organization in 1986, and Chairman of the Board of Directors of the Company since its organization in 1995. Mr. Lane was born in Charleston, SC. He 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 in Sumter, South Carolina; and Executive Vice President, heading the Citizens and Southern National Bank's Southern Region. Mr. Lane also served on the Board of Directors of Citizens and Southern National Bank of South Carolina for 14 years. Mr. Lane formerly served as an Administrator and Trustee of the Bank of South Carolina Employee Stock Ownership Plan and Trust. In addition to his responsibilities at The Bank of South Carolina, Mr. Lane is the former Chairman of the Charleston County Conservation Board, former Chairman of the Baruch Foundation, and is the former Treasurer of the Board of Trustees of Ashley Hall School. He has been the recipient of Honorary Doctorates from Charleston Southern University, The Citadel, and Wofford College. 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. In 2015, Mr. Lane was inducted into the South Carolina Business Hall of Fame. Mr. Lane serves on the Executive/Long-Range Planning Committee, Asset Liability/Investment Committee, Community Reinvestment Act Committee, and Loan Committee.

The Nominating Committee recommends the re-election of Mr. Lane to the Board of Directors based on his unique and valuable perspective relevant to our Bank's business and financial performance and 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.

Douglas H. Sass **Age 66** **First Elected to the Board 2013**

Mr. Sass joined the Bank in January 1994. He has over forty years of experience in banking and oversaw the implementation of the Bank's Real Estate Appraisal Review Program. He has served in various officer-level positions at the Bank, including Security Officer, Appraisal Officer, and Community Reinvestment Act Officer before becoming Executive Vice President and Senior Lender in April 2012. Additionally, he oversees the Bank's Loan Department and Credit Department. Mr. Sass 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 and The Graduate School of Bank Management at the University of Virginia. Mr. Sass previously served as President of The Charleston Museum Board of Trustees, was previously on the Board of the Regents Tri-County Family Ministries, and is active in various civic organizations. Mr. Sass serves on the Executive/Long-Range Planning Committee, Asset Liability/Investment Committee, Community Reinvestment Act Committee, and Loan Committee.

The Nominating Committee recommends the re-election of Mr. Sass to the Board of Directors based on his experience in banking, appraising, his robust background in commercial lending and business development, and his continued devotion to the success of the Company.

Eugene H. Walpole, IV **Age 38** **First elected to the Board 2018**

Mr. Walpole joined the Bank in September 2012. Since that time, he has served as Assistant Vice President, Vice President, and Senior Vice President in the role of Risk Management Officer. In March 2016, Mr. Walpole was named Chief Financial Officer of the Bank and Company and, in December 2017, was named Executive Vice President of the Bank and Company. On October 1, 2023, Mr. Walpole assumed the role of President & Chief Executive Officer of the Bank and Company. Mr. Walpole also serves as Administrator and Trustee of the Bank of South Carolina Employee Stock Ownership Plan and Trust. Prior to joining the Bank, Mr. Walpole spent four years performing financial statement audits, regulatory filing reviews, and Sarbanes-Oxley 404 compliance testing for publicly traded and privately held financial institutions. Mr. Walpole is a Charleston native and graduate of Presbyterian College, University of South Carolina, and South Carolina Bankers School. He holds the designations of Certified Public Accountant, Certified Financial Services Auditor, and a Certification in Risk Management Assurance. Mr. Walpole previously served on the Board of the Lowcountry Land Trust and currently serves on the Boards of Coastal Conservation Association of South Carolina as well as the Preservation Society of Charleston. Mr. Walpole serves on the Executive/Long-Range Planning Committee, Asset Liability/Investment Committee, Community Reinvestment Act Committee, and Loan Committee.

The Nominating Committee recommends the re-election of Mr. Walpole to the Board of Directors given his experience in banking, in-depth knowledge of the financials of the Company, commitment to the local community, and continued devotion to the success of the Company.

<u>**Non-Employee Directors**</u>

David W. Bunch **Age 73** **First elected to the Board 2009**

Mr. Bunch has been a member of the Board of Directors of the Bank and the Company since 2009. He was born in Charleston, South Carolina and graduated from Clemson University. He has been employed by XO Bunch Organizations since 1973, serving as President, Hughes Motors, Inc.; Vice-President, Bunch Leasing Co.; Vice-President, Florence Truck Center, Inc.; Partner, Bunch Truck & Equipment, LLC; Partner, Bunch & Sons-Real Estate; Managing member, Wando Properties, LLC; and President, Double D Leasing Co., Inc. In addition to serving on the Board of Directors of the Bank and Company, Mr. Bunch serves as Chairman of both the Loan Committee and Community Reinvestment Act Committee.

The Nominating Committee recommends the re-election of Mr. Bunch to the Board of Directors based on his valuable knowledge of business and local industry, as well as this strong ties to the community and continued devotion to the success of the Company.

Graham M. Eubank, Jr. **Age 56** **First elected to the Board 2005**

Mr. Eubank has been a member of the Board of Directors of the Bank and the Company 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 various 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 and the Company, Mr. Eubank currently serves on the Executive/Long-Range Planning Committee and Nominating Committee, and he is Chairman of the Compensation Committee.

The Nominating Committee recommends the re-election of Mr. Eubank to the Board of Directors based on his ability to provide an important perspective on economic issues relevant to our community and company as a local business owner.

Elizabeth M. Hagood **Age 62** **First elected to the Board 2013**

Mrs. Hagood is the former Executive Director of the Lowcountry Land Trust. Mrs. Hagood grew up in Charlotte, NC and graduated from Davidson College and the Darden School of Business at the University of Virginia. Mrs. Hagood currently serves on the Boards of the Preservation Society of Charleston, the Darden School Foundation, the LAMB Institute, and the Charleston County Greenbelt Advisory Board. In addition to serving on the Board of Directors of the Bank and Company, Mrs. Hagood serves on the Loan Committee, Community Reinvestment Act Committee, and the Nominating Committee.

The Nominating Committee recommends the re-election of Mrs. Hagood to the Board of Directors based on her education, distinct perspective on social responsibility and diversity, experience on various committees within the organization, and continued service to the Charleston community through her leadership roles in various organizations.

Fleetwood S. Hassell **Age 64** **First elected to the Board 2006**

Mr. Hassell had been with Bank since its organization in 1986, and retired in 2023. During his career of over thirty-five years in banking, Mr. Hassell has held the position of Assistant Vice President, Vice President, Senior Vice President, Executive Vice President, Senior Lender, and President/Chief Executive Officer. Born and raised in Charleston, SC, Mr. Hassell earned a BS and MBA from the University of South Carolina School of Business. He was elected to the Board of Directors of the Bank and the Company in 2006. Mr. Hassell serves as a Trustee of the Bank of South Carolina Employee Stock Ownership Plan and Trust. Mr. Hassell previously served on the boards of the South Carolina State Board of Financial Institutions and the Association of the Blind and Visually Impaired. Currently, he serves on the Board of the Trident United Way (Past Chairman), The College of Charleston Foundation Board, and the South Carolina Bankers Association. Mr. Hassell serves on the Executive/Long-Range Planning Committee, Asset Liability/Investment Committee, Community Reinvestment Act Committee, and Loan Committee.

The Nominating Committee recommends the re-election of Mr. Hassell to the Board of Directors based on his 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.

Glen B. Haynes, DVM **Age 69** **First elected to the Board 2007**

Dr. Haynes has been a member of the Board of Directors of the Bank and the Company since 2007. He was born in Charlottesville, Virginia and has lived in Summerville, South Carolina for 40 years. He graduated from Virginia Tech with a BS in Biology. He received a DVM from the University of Georgia. In addition to serving on the Board of Directors of the Bank and the Company, 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 construction volunteer for Habitat for Humanity. He and his therapy dog, Gracie, also visit rehab and nursing homes. In addition to serving on the Board of Directors of the Bank and Company, Dr. Haynes serves on the Loan Committee, Community Reinvestment Act Committee, and is Chairman of the Nominating Committee.

The Nominating Committee recommends the re-election of Dr. Haynes to the Board of Directors based on his experience as well as his strong ties to the Summerville community and his work ethic demonstrated by having run his own practice.

William L. Hiott, Jr. **Age 79** **First elected to the Board 1995**

Mr. Hiott was with the Bank from its organization in 1986 until his retirement in 2011. He held various positions including the Executive Vice President and Cashier of the Bank and the Executive Vice President and Treasurer of the Company. He has served on the Board of Directors of the Bank since its organization in 1986 and the Company since its organization in 1995. He received a BS in Accounting from Charleston Southern University and is a graduate of South Carolina Bankers School and the University of Wisconsin’s Bank Administration Graduate School. In addition to serving on the Board of Directors of the Bank and Company, Mr. Hiott serves on the Asset Liability/Investment Committee, Community Reinvestment Act Committee, Loan Committee, Audit & Compliance Committee, Executive/Long-Range Planning Committee, and Compensation Committee.

The Nominating Committee recommends 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 of Directors.

Richard W. Hutson, Jr. **Age 66** **First elected to the Board 2005**

Mr. Hutson has been a member of the Board of Directors of the Bank and Company since 2005. He received a BA from The University of the South. Mr. Hutson is the Manager of William M. Means Insurance Company. Mr. Hutson has served on the Boards of the South Carolina Historical Society and the Historic Charleston Foundation. He has served as President of the South Carolina Historical Society. Mr. Hutson serves on the Asset Liability/Investment Committee, Audit & Compliance Committee, and is the Secretary of the Board of Directors, in addition to serving on the Board of Directors of the Bank and Company.

The Nominating Committee recommends Mr. Hutson for re-election to the Board due to his business experience, commitment to the Bank and Company and strong ties to the Charleston community.

Charles G. Lane **Age 69** **First elected to the Board 1995**

Mr. Lane is the brother of Hugh C. Lane, Jr. and has been a member of the Board of Directors of the Bank since its organization in 1986, and a member of the Board of Directors of the Company since its organization in 1995. He has devoted nearly thirty years to ensuring the success of the Company. He is a graduate of Clemson University. Mr. Lane is a Managing Member of Holcombe, Fair and Lane, LLC - a commercial real estate company. He currently serves on the Executive/Long-Range Planning Committee, Asset Liability/Investment Committee, Loan Committee, and Community Reinvestment Act Committee.

The Nominating Committee recommends the re-election of Mr. Lane to the Board of Directors based on his expertise in the real estate market and the local community has been valuable to the Board in its decision-making.

Alan I. Nussbaum, MD **Age 72** **First elected to the Board 1999**

Dr. Nussbaum has been a member of the Board of Directors of the Bank since 1999. 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 and practiced rheumatology in Charleston from 1982 to 2023. Dr. Nussbaum serves as the Lead Director of the Bank and Company and has held this position since 2011. He is Chairman of the Executive/Long-Range Planning Committee and serves on the Asset Liability/Investment Committee and Compensation Committee.

The Nominating Committee recommends the re-election of Dr. Nussbaum to the Board of Directors based on the commitment that he has made to the Board of Directors, community involvement, and knowledge of the Company.

Josette R. E. Pelzer, PhD, CPA **Age 40** **First elected to the Board 2022**

Dr. Pelzer is an associate professor in the department of Accounting and Business Law at the College of Charleston (SC). She currently teaches introductory accounting, intermediate accounting, and an audit course in the graduate program. Dr. Pelzer has five years of audit experience with a global CPA firm, and seven years in academia during which time she has published several articles on auditor reporting and audit education. She is a member of the American Accounting Association and a former member of the American Institute of CPAs. Dr. Pelzer is a native Charlestonian and earned both a BS in Business Administration and a Master of Accountancy from the University of South Carolina Columbia, as well as a PhD in Accounting from Florida State University. In addition to serving on the Board of Directors of the Bank and the Company, Dr. Pelzer is Chairman of the Audit & Compliance Committee.

The Nominating Committee recommends Dr. Pelzer for re-election due to leadership within the community, financial expertise, and unique perspective relevant to financial performance.

Karen J. Phillips **Age 62** **First elected to the Board 2017**

Mrs. Phillips received a BA in Political Science from The University of the South and an MBA in Finance from The University of South Carolina. She is a Certified Financial Planner and is President of Atlantic Coast Asset Management, Inc., a financial management firm. She is a past member of the Board of Directors of Kanuga Conferences, Inc. and the past Chairman of the Board of Trustees of Ashley Hall School, where she previously served as a Trustee. In addition to serving on the Board of Directors of the Bank and Company, Mrs. Phillips serves on the Executive/Long-Range Planning Committee, Audit & Compliance Committee, Nominating Committee, Loan Committee, and Community Reinvestment Act Committee.

The Nominating Committee recommends Mrs. Phillips for re-election due to her leadership within the community, financial expertise, and unique perspective relevant to financial performance.

Malcolm M. Rhodes, MD **Age 64** **First elected to the Board 2005**

Dr. Rhodes has been a member of the Board of Directors of the Bank and Company since 2005. 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 former partner at Parkwood Pediatric Group. Dr. Rhodes served on the clinical faculty at MUSC and Bon-Secours St. Francis Hospitals. In addition to serving on the Board of Directors of the Bank and the Company, Dr. Rhodes serves on the Audit & Compliance Committee. He also represents South Carolina on the Atlantic States Marine Fisheries Commission and serves on the boards of the Carolina Gold Rice Foundation and the TriCounty Forestry Association. He has served previously on the boards of Charleston Stage Company, Coastal Conservation Association, and the Board of Trustees at Ashley Hall School.

The Nominating Committee recommends the re-election of Dr. Rhodes to the Board of Directors based on his knowledge of business including running a medical practice and involvement with several local hospitals.

Sheryl G. Sharry **Age 69** **First elected to the Board 2010**

Mrs. Sharry was with the Bank since its organization in 1986 until her retirement in 2016. She held various positions in the Bank, including but not limited to Assistant Vice President – Operations Department, Vice President – Operations & Technology, Senior Vice President – Operations & Technology, and Executive Vice President – Chief Financial Officer. Mrs. Sharry became a member of the Board of Directors of the Bank and Company in 2010. She is a graduate of the College of Charleston, South Carolina Bankers School, and the School of Bank Investments and Financial Management. In addition to serving on the Board of Directors of the Bank and the Company, Mrs. Sharry serves on the Executive/Long-Range Planning Committee and is Chairman of the Asset Liability/Investment Committee.

The Nominating Committee recommends Mrs. Sharry to re-election of the Board of Directors based on her strong background in operations and technology of the Company, experience in banking, valuable knowledge of financial reporting and performance of the Company, and continued devotion to the success of the Company.

Thaddeus T. Shuler **Age 44** **First elected to the Board 2023**

Mr. Shuler is a Charleston native. After receiving a BS in Industrial Management and a minor in German at Clemson University, he worked overseas for a large multi-national corporation. When he returned home to Charleston, he began working for his family business, Southern Lumber and Millwork Corporation, and assumed the role of President & CEO in 2016. Mr. Shuler previously served on the Clemson University Wood Utilization Department Board, and he currently serves on the Board of the Building Materials Supplier Association (past Chairman) as well as the Education Committee of the Lumbermens Merchandising Corporation.

The Nominating Committee recommends the re-election of Mr. Shuler to the Board of Directors based on his valuable knowledge of business and local industry as well as his strong ties to the community.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth, as of February 22, 2024, 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 our common stock;
- each employee Director; and
- each non-employee Director

To the extent known to the Board of Directors, no other person or entity, other than those set forth below, beneficially owned more than five percent of the outstanding shares our Common Stock as of the close of business on February 22, 2024.

The tables below include 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.

The table below shows the security ownership of certain owners known to us to beneficially own more than 5 percent of any class of Common Stock, each employee Director and each non-employee Director.

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] 256 Meeting Street Charleston, South Carolina 29401	814,519[2]	14.91%
Common Stock…………………	The Bank of South Carolina Employee Stock Ownership Plan and Trust ("the ESOP") 256 Meeting Street Charleston, South Carolina 29401	360,597[3]	6.60%
Common Stock…………………	Charles G. Lane[1] 256 Meeting Street Charleston, South Carolina 29401	298,624[4]	5.47%

The table below shows the security ownership of management and directors.

Title of class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Executive Officers/Directors			
Common Stock …………………	Susanne K. Boyd[3]	14,547 [4]	*
Common Stock …………………	Hugh C. Lane, Jr.[1]	814,519 [2]	14.91 %
Common Stock …………………	Douglas H. Sass[3]	46,110 [4]	*
Common Stock …………………	Eugene H. Walpole, IV[3]	18,792 [4]	*
Current Directors			
Common Stock …………………	David W. Bunch	3,858	*
Common Stock …………………	Graham M. Eubank, Jr.	1,041	*
Common Stock …………………	Elizabeth M. Hagood	421	*
Common Stock …………………	Fleetwood S. Hassell[3]	116,008 [4]	2.12 %
Common Stock …………………	Glen B. Haynes, DVM	9,583	*
Common Stock …………………	William L. Hiott, Jr.	211,773 [4]	3.88 %
Common Stock …………………	Richard W. Hutson, Jr.	10,231	*
Common Stock …………………	Charles G. Lane[1]	298,624 [4]	5.47 %
Common Stock …………………	Alan I. Nussbaum, MD	3,168	*
Common Stock …………………	Josette R. E. Pelzer, PhD, CPA	114	*
Common Stock …………………	Karen J. Phillips	8,743 [4]	*
Common Stock …………………	Malcolm M. Rhodes, MD	4,918	*
Common Stock …………………	Sheryl G. Sharry	99,918	1.83 %
Common Stock …………………	Thaddeus T. Shuler	100	*
Total …………………		1,662,468	30.43%

* Represents less than 1%

(1) To the extent known to the Board, the emancipated children and grandchildren of Hugh C. Lane, Jr. and Charles G. Lane, collectively, have beneficial ownership of 461,360 shares or 8.45% 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 our common stock. Hugh C. Lane, Jr., disclaims any beneficial interest in those shares in which other members of his family have a beneficial interest other than those shares his wife owns directly and those for which he serves as Trustee or she serves as custodian (as more fully described in the following footnote).

(2) To the extent known to the Board, Hugh C. Lane, Jr., Chairman of the Board of both the Bank and the Company, directly owns and has sole voting and investment power with respect to 271,410 shares; as a Trustee for the Mills Bee Lane Memorial Foundation, he has shared voting and investment power with respect to 13,084 shares; he is indirectly beneficial owner of 16,986 shares owned by his wife and 51,679 shares owned by the ESOP in which he has a vested interest. Hugh C. Lane, Jr. disclaims any beneficial interest in the 461,360 shares owned by extended family members. Hugh C. Lane, Jr., has had beneficial ownership of more than 5% of our common stock since October 23, 1986.

(3) The Trustees of the Employee Stock Ownership Plan ("ESOP'), Fleetwood S. Hassell, Director of the Bank and Company; Eugene H. Walpole, IV, President/Chief Executive Officer and Director of the Bank and Company; Douglas H. Sass, Senior Lender/Executive Vice President and Director of the Bank and Company; and Susanne K. Boyd, Chief Operating Officer/Executive Vice President and Director of the Bank and Company disclaim beneficial ownership of the 360,597 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.

(4) To the extent known to the Board of Directors, each of the following Directors (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 62,994 shares owned by his wife; held by him as a co-Trustee with Charles G. Lane for the children of Hugh C. Lane, Jr.; and shares owned by the ESOP in which he has a vested interest; **Douglas H. Sass** – an aggregate of 26,480 shares owned by the ESOP in which he has a vested interest and held by his wife; **William L. Hiott, Jr**. – an aggregate of 12,315 shares directly owned by his wife; **Charles G. Lane** – an aggregate of 65,729 shares owned by his wife; held by him as a co-Trustee with Fleetwood S. Hassell for the children of Hugh C. Lane, Jr.; held by him as a Trustee of Mills Bee Lane Memorial Foundation; and held by him as a Trustee of Holcombe Trust; **Karen J. Phillips** – 4,649 shares owned by her husband; **Susanne K. Boyd** – an aggregate of 10,521 shares owned by children and shares owned by the ESOP in which she has a vested interest; **Eugene H. Walpole, IV** – 7,501 shares owned by the ESOP in which he has a vested interest. 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.

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

Introduction

The Company's Board of Directors conducts its business through Board meetings and through its committees. Hugh C. Lane, Jr. presently serves as Chairman of the Board of Directors. The Board of Directors of the Company held six meetings (including all regularly scheduled and special meetings) during the year ended December 31, 2023. 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. The Company does not have a policy with regard to Directors' attendance at annual meetings of shareholders. However, Directors are expected to attend the annual meeting of shareholders absent a valid reason for not doing so.

Director Independence

The Board of Directors is comprised of a majority of non-employee Directors. All members of the Audit & Compliance Committee, the Compensation Committee, and the Nominating Committee are non-employee. The members of these committees do not have any relationship to the Bank or Company that may interfere with the exercise of their independence from management. None of the members of the Nominating Committee are current or former officers or employees of the Bank or Company. One member of the Compensation Committee and Audit & Compliance Committee, William L. Hiott, Jr., retired from the Bank in April 2010. Three members of the Executive/Long-Range Planning Committee, William L. Hiott, Jr., Sheryl G. Sharry, and Fleetwood S. Hassell retired from the Bank in April 2010, April 2016, and September 2023, respectively. All members of the Board of Directors are non-employee except Hugh C. Lane, Jr., Chairman of the Board, Fleetwood S. Hassell, former President/Chief Executive Officer, Douglas H. Sass, Senior Lender/Executive Vice President, Susanne K. Boyd, Chief Operating Officer/Executive Vice President, Eugene H. Walpole, IV, President/Chief Executive Officer and Charles G. Lane, brother of Hugh C. Lane, Jr.

Board Leadership Structure

The Board of Directors currently separates the roles of Chairman of the Board and CEO. The Board of Directors believes that Hugh C. Lane, Jr., is the best person to serve as Chairman because he is the Director most familiar with our business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy.

Non-employee Directors and management have different perspectives and roles in strategy development. Our non-employee 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 of Directors believes that the combined experience as Chairman and past President/Chief Executive Officer promotes strategic development and executions, and facilitates information flow between management and the Board of Directors which are essential to effective governance.

One of the key responsibilities of the Board of Directors 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 and a non-employee Lead Director, having the duties described below, is in the best interest of Shareholders as it provides the appropriate balance between strategy development and independent oversight of management.

Lead Director

The Board of Directors selected Alan I. Nussbaum, MD, a non-employee director, 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.

Risk Management

The Board of Directors has an active role, as a whole and at the committee level, in overseeing the management of our risks. The Board of Directors regularly reviews information regarding our credit, liquidity, and operations, as well as the risks associated with each. The Audit & 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. The Board of Directors monitors financial and independence risks and oversees the management of such risks through committee reports. In addition, the Audit & Compliance Officer oversees internal controls.

Committees and Committee Charters

The Board of Directors of the Company has four standing committees: the Executive/Long-Range Planning Committee, the Compensation Committee, the Nominating Committee, and the Audit & 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 of the Company.

Director	Audit & Compliance	Executive/ Long-Range Planning	Compensation Committee	Nominating Committee
Susanne K. Boyd		•		
David W. Bunch				
Graham M. Eubank, Jr.		•	•	•
Elizabeth M. Hagood				•
Fleetwood S. Hassell		•		
Glen B. Haynes, DVM				•
William L. Hiott, Jr.	•	•	•	
Richard W. Hutson, Jr.	•			
Charles G. Lane		•		
Hugh C. Lane, Jr.		•		
Alan I. Nussbaum, MD		•	•	
Josette R. E. Pelzer, PhD, CPA	•			
Karen J. Phillips	•	•		•
Malcolm M. Rhodes, MD	•			
Douglas H. Sass		•		
Sheryl G. Sharry		•		
Thaddeus T. Shuler				
Eugene H. Walpole, IV		•		

Audit & Compliance Committee

The Board of Directors appoints and approves the members of the Audit & Compliance Committee annually. Under the terms of its Charter, the Audit & Compliance Committee is to be comprised of not less than four members of the Board or such larger number as approved by the Board of Directors. During 2023, the Audit & Compliance Committee held four meetings. Members are considered independent of the Company under applicable rules and regulations.

The Audit & Compliance Committee operates under a written Charter adopted by the Board of Directors, which is renewed and reassessed for adequacy on an annual basis. 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 our financial statements, evaluating internal accounting controls, reviewing reports of regulatory authorities, and determining that all examinations required by law are performed. The Board of Directors may amend the Charter at any time. The most recent Audit & Compliance Committee Charter may be obtained at our internet website http://www.banksc.com.

The Audit & 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.

Executive/Long-Range Planning Committee

The Executive/Long-Range Planning Committee consists of our President/Chief Executive Officer, Chairman, Senior Lender/Executive Vice President, Chief Operating Officer/Executive Vice President, and seven designated Directors. Alan I. Nussbaum, MD, a non-employee Director, serves as Chairman of the Committee. During 2023, the Executive/Long-Range Planning Committee held one meeting. 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 Directors between the regular Board meetings.

Compensation Committee

The Compensation Committee consists of three non-employee Directors appointed by the Board of Directors 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 our goals and objectives (Executive Officers may not be present during voting or deliberations on their compensation);
- to administer the 2021 Stock Incentive Plan for non-employee Directors;
- to oversee regulatory compliance and risk management with respect to compensation matters;
- to make regular reports to the Board of Directors; and
- to perform any other duties or responsibilities expressly delegated to the Committee by the Board of Directors from time to time.

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. The Committee met two times during 2023 and did not consult independent legal counsel or compensation consultants. The Compensation Committee operates under a written Charter adopted by the Board of Directors which is reviewed and reassessed for adequacy on an annual basis. The most recent Compensation Committee charter may be obtained at our website http://www.banksc.com.

Nominating Committee

The Nominating Committee consists of four non-employee Directors. The function of the Nominating Committee is to recommend a slate of proposed Directors to the Board of Directors. The Nominating Committee operates under a written Charter adopted by the Board of Directors which is reviewed and reassessed for adequacy on an annual basis. A copy of this Charter may be obtained at our website http://www.banksc.com. The Nominating Committee met once during 2023.

Nominations, other than those made by the Nominating Committee, may be made in writing and delivered or mailed to the President/ Chief Executive Officer 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/Chief Executive Officer 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 to consider any and all Director candidates recommended by Shareholders. The Nominating Committee has adopted specific minimum qualifications which the Nominating Committee believes must be met by a nominee for a position on our 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 we operate;
- 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, including nominees recommended by Shareholders, is to investigate whether or not such nominee meets the specific minimum qualifications adopted as a policy by the Committee through contacts the members have in their community. There are no differences in the manner in which the Committee evaluates nominees for Director whether the nominee is recommended by a committee member or a Shareholder.

We do not utilize or pay a fee to any third party to evaluate nominees for Director.

Code of Business Conduct and Ethics

We expect all of our employees to conduct themselves honestly and ethically. Our Board of Directors has adopted a Code of Ethics that applies to all employees. The Code of Ethics requires the officers, employees, and Directors 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. The Code of Ethics may be obtained at our website http://www.banksc.com.

Shareholder Communication with the Board of Directors

The Board of Directors has adopted a process by which Shareholders may communicate with them. Shareholders may send a written communication to Eugene H. Walpole, IV, President/Chief Executive Officer, Bank of South Carolina Corporation, 256 Meeting Street, Charleston, South Carolina 29401, or email such communication to Eugene H. Walpole, IV, President/Chief Executive Officer, at gwalpole@banksc.com. A Shareholder is free to address any communication to any Director at the address of the Bank of South Carolina. Any communication from a Shareholder received by the President/Chief Executive Officer shall be sent to all members of the Executive/Long-Range Planning Committee and, if any member of the Executive/Long-Range Planning Committee so directs, will be sent to all members of the Board of Directors.

PROPOSAL 2: TO RATIFY THE APPOINTMENT OF ELLIOTT DAVIS, LLC AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE YEAR ENDED DECEMBER 31, 2024.

The Audit & Compliance Committee of the Board of Directors has appointed Elliott Davis, LLC as our independent auditors for the year ended December 31, 2024, and that appointment is being submitted to Shareholders for ratification. The appointment of Elliott Davis, LLC as our independent auditors was approved by the Audit & Compliance Committee of the Board of Directors and ratified by the Shareholders at the 2023 Annual Shareholders' Meeting. At the 2024 Annual Shareholders' Meeting, the following resolution will be subject to ratification by a simple majority vote of shares represented at the meeting:

> RESOLVED, that the selection of Elliott Davis, LLC as the independent auditors 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, 2024, is hereby ratified.

If ratification is not achieved, the selection of an independent auditors 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 auditors at any time if the Board of Directors decides that such a change would be in the best interests of the Company and our Shareholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF ELLIOTT DAVIS, LLC AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2024.

OTHER MATTERS

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 Annual Meeting or any adjournments thereof, those persons named as Proxies in the enclosed Proxy Form will vote thereon according to their best judgment.

ANNUAL REPORT

The Annual Report for the fiscal year ended December 31, 2023 is mailed herewith to all Shareholders. Additional copies may be obtained without charge by written request or by visiting https://www.otcmarkets.com.

If you and others who share your address own your shares in street name, your broker or other holder of record may be sending one copy only of the annual report and proxy statement to your address. Known as "householding," this practice reduces the Company's printing and postage costs. However, if you wish to receive a separate annual report or proxy statement in the future, you should contact your broker or other holder of record. If you own your shares in street name and are receiving multiple copies of our annual report and proxy statement, you can request householding by contacting your broker or other holder of record.

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

OVERVIEW

Bank of South Carolina Corporation (the "Company") is a bank holding company headquartered in Charleston, South Carolina, with $633.8 million in assets as of December 31, 2023 and net income of $5.5 million for the year ended December 31, 2023. 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, and attention to detail to foster long-standing relationships.

We derive most of our income from interest on loans and investment securities. The primary source of funding for making these loans and purchasing investment securities is our interest-bearing and non-interest-bearing deposits. Consequently, one of the key measures of our success is the amount of net interest income, or the difference between the income on our 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-earning 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 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 losses (the "allowance") and a reserve for unfunded commitments (the "unfunded reserve"). The allowance provides for probable and estimable losses inherent in our loan portfolio while the unfunded reserve provides for potential losses related to unfunded lending commitments.

In addition to earning interest on loans and investment securities, 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 identify significant factors that have affected our financial position and operating results as of and for the year ended December 31, 2023 as compared to December 31, 2022, and should be read in conjunction with the consolidated financial statements and the related notes included in this report.

LOANS

We focus our lending activities on small and middle market businesses, professionals and individuals in our geographic market. At December 31, 2023, outstanding loans (including deferred loan fees of $212,006) totaled $347.0 million, which equaled 65.26% of total deposits and 54.75% of total assets.

The following table presents our loan portfolio, excluding both mortgage loans to be sold and deferred loan fees, as of December 31, 2023, compared to the prior four years.

(in thousands)	2023	2022	2021	2020	2019
Commercial	$ 54,954	$ 45,072	$ 45,804	$ 51,041	$ 52,848
Commercial real estate construction	25,884	17,524	12,054	14,814	12,491
Commercial real estate other	170,774	172,897	165,719	146,188	143,824
Consumer real estate	91,592	91,637	71,307	71,836	59,532
Consumer other	3,787	3,852	3,769	4,481	5,378
Paycheck protection program	—	—	7,979	32,443	—
Total	$ 346,991	$ 330,982	$ 306,632	$ 320,803	$ 274,073

During the year ended December 31, 2023, total loans increased $16.0 million or 4.84%. This increase is primarily due to growth in our commercial and commercial real estate portfolios.

ALLOWANCE FOR CREDIT LOSSES

At December 31, 2023, the allowance for credit losses totaled $3.7 million or 1.07% of loans, a decrease of $0.6 million from $4.3 million as of December 31, 2022. The adoption of ASU 2016-16 resulted in a decrease the allowance for credit losses of $0.6 million and an increase in the allowance for unfunded commitments of $0.6 million. The adequacy of the allowance for credit losses (the "allowance") is reviewed by the Loan Committee and by the Board of Directors on a quarterly basis. 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 consistent with GAAP, the methodology employed for this analysis has been modified over the years to reflect the economic environment and new accounting pronouncements. The Credit Department also reviews this calculation on a quarterly basis. In addition, an independent third party validates the allowance calculation on a periodic basis.

DEPOSITS

During the year ended December 31, 2023, deposits decreased $67.0 million or 11.19% to $531.7 million from $598.7 million as of December 31, 2022. Non-interest bearing deposits decreased $41.1 million to $182.1 million as of December 31, 2023. The decline in deposits stems principally from increased deposit rates paid from other sectors of the financial industry that continue to create intense competition.

The following table presents average deposits by category.

	2023		2022		2021	
(in thousands)	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Non-interest-bearing demand	$ 202,745	N/A	$ 243,110	N/A	$ 205,238	N/A
Interest-bearing transaction accounts	257,104	1.65%	269,510	0.08%	242,618	0.04%
Savings	56,259	0.67%	65,817	0.06%	51,609	0.06%
Time deposits	36,848	0.71%	18,444	0.21%	20,435	0.28%
	$ 552,956		$ 596,881		$ 519,900	

The following table shows the contractual maturities of time deposits in denominations of $100,000 or more at December 31, 2023 and the amount of time deposits in excess of FDIC insurance limits.

(in thousands)	One Day	Less than three months	Three months to less than six months	Six months to less than one year	One year to less than five years	Five years or more	Total
CD's and other time deposits less than $100,000	$ —	$ 1,213	$ 1,195	$ 1,491	$ 1,131	$ —	$ 5,030
CD's and other time deposits $100,000 and over	—	6,535	8,499	3,588	1,142	—	19,764
Total	$ —	$ 7,748	$ 9,694	$ 5,079	$ 2,273	$ —	$ 24,794
CD's and other time deposits in excess of FDIC insurance limit	$ —	$ 4,166	$ 6,089	$ 300	$ —	$ —	10,555

CAPITAL RESOURCES

Our capital needs have been met to date through the $10.6 million in capital raised in our initial offering, the retention of earnings less dividends paid and the exercise of options to purchase stock. Total shareholders' equity at December 31, 2023 was $47.1 million. The rate of asset growth since our inception has not negatively impacted our capital base.

On July 2, 2013, the Federal Reserve Board approved the final rules implementing the Basel Committee on Banking Supervision's ("BCBS") capital guidelines for U.S. banks ("Basel III"). Following the actions by the Federal Reserve, the FDIC also approved regulatory capital requirements on July 9, 2013. The FDIC's rule is identical in substance to the final rules issued by the Federal Reserve Bank.

The purpose of Basel III is to improve the quality and increase the quantity of capital for all banking organizations. The minimum requirements for the quantity and quality of capital were increased. The rule includes 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 rule also raised the minimum ratio of Tier 1 capital to risk-weighted assets from 4% to 6% and requires a minimum leverage ratio of 4%. In addition, the rule implemented a strict eligibility criterion for regulatory capital instruments and improved the methodology for calculating risk-weighted assets to enhance risk sensitivity.

On November 4, 2019, the federal banking agencies jointly issued a final rule on an optional, simplified measure of capital adequacy for qualifying community banking organizations called the community bank leverage ratio ("CBLR") framework effective on January 1, 2020. A qualifying community banking organization is defined as having less than $10 billion in total consolidated assets, a leverage ratio greater than 9%, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets. Additionally, the qualifying community banking institution must be a non-advanced approaches FDIC supervised institution. The final rule adopts Tier 1 capital and existing leverage ratio into the CBLR framework. The Bank adopted this rule as of September 30, 2020 and is no longer subject to other capital and leverage requirements. A CBLR bank meeting qualifying criterion is deemed to have met the "well capitalized" ratio requirements and be in compliance with the generally applicable capital rule. The Bank's CBLR as of December 31, 2023 was 9.73%. As of December 31, 2023, the Company and the Bank were categorized as "well capitalized." We believe, as of December 31, 2023, that the Company and the Bank meet all capital adequacy requirements to which we are subject.

There are no current conditions or events that we are aware of that would change the Company's or the Bank's capital adequacy category.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2023 TO DECEMBER 31, 2022

Net income decreased $1.2 million or 17.5% to $5.5 million, or basic and diluted income per share of $0.99 and $0.98, respectively, for the year ended December 31, 2023 from $6.7 million or basic and diluted income per share of $1.20 and $1.18, respectively, for the year ended December 31, 2022. This decrease was primarily due to a decrease in net interest income, lower mortgage banking income, higher salaries and employee benefits, and occupancy expense. Our returns on average assets and average equity for the year ended December 31, 2023 were 0.86% and 12.90%, respectively, compared to 1.01% and 15.26%, respectively, for the year ended December 31, 2022.

Net Interest Income

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 decreased $0.4 million or 1.99% to $18.5 million for the year ended December 31, 2023 from $18.9 million for the year ended December 31, 2022.

Average loans increased $19.1 million or 5.95% to $339.9 million for the year ended December 31, 2023, compared to $320.8 million for the year ended December 31, 2022. The yield on average loans (including fees) was 6.20% and 5.16% for the years ended December 31, 2023 and December 31, 2022, respectively. The increase in the yield on average loans was the result of interest rates on variable rate loans, as well as higher interest rates on new originations and renewals of fixed rate loans. Interest income on loans increased $4.8 million for the year ended December 31, 2023 to $20.5 million from $15.7 million for the year ended December 31, 2022.

The average balance of interest bearing deposits at the Federal Reserve decreased $29.1 million or 70.77% to $12.0 million for the year ended December 31, 2023, with a yield of 5.11% as compared to $41.1 million for the year ended December 31, 2022, with a yield of 0.98%.

Average earning assets decreased $19.5 million or 3.10% to $608.9 million for the year ended December 31, 2023 from $628.4 million for the year ended December 31, 2022. This change is primarily related to a decrease in the average balance of investment securities and interest-bearing deposits at the Federal Reserve, partially offset by an increase in the average balance of loans.

The average balance of deposits decreased $43.9 million or 7.36% to $553.0 million for the year ended December 31, 2023, with a yield of 0.78% as compared to $596.9 million for the year ended December 31, 2022, with a yield of 0.04%. Deposit rates paid have increased as deposit rates paid from other sectors of the financial industry continue to create intense competition.

We incurred $1.5 million of interest on short-term borrowings during the year ended December 31, 2023.

Provision for Credit Losses

We recorded a provision for credit losses of $45,000 for the year ended December 31, 2023 compared to a $75,000 reduction to the allowance for credit losses for the year ended December 31, 2022. The Board of Directors determined that this provision was appropriate based upon our analysis of the adequacy of the allowance for credit losses. Charge-offs of $48,418 and recoveries of $34,410, together with the provision for credit losses of $45,000, resulted in an allowance for credit losses of $3.7 million or 1.07% of total loans as of December 31, 2023.

Non-Interest Income

Other income decreased $0.3 million or 14.54% to $1.8 million for the year ended December 31, 2023, from $2.1 million for the year ended December 31, 2022. The decrease in other income reflects lower mortgage banking income, which decreased $0.3 million or 42.71% to $0.4 million for the year ended December 31, 2023 from $0.7 million for the year ended December 31, 2022 due to decreased volume associated with the higher interest rate environment experienced in 2023. Mortgage banking income is highly influenced by mortgage interest rates and the housing market.

Non-interest Expense

Other expense increased $0.9 million or 7.44% to $13.3 million for the year ended December 31, 2023, from $12.4 million for the year ended December 31, 2022. Salaries and employee benefits increased approximately $0.5 million, or 6.21%, due to increased benefits, payroll taxes and other employee-related costs. Net occupancy expense increased approximately $0.2 million due to rent escalation provisions in certain of our leases. Other operating expenses increased $0.2 million or 0.77%. The Bank opened its new James Island location in the second quarter of 2023, which contributed to the increase in salaries and employee benefits as well as net occupancy expense.

Income Tax Expense

Income tax expense was $1.4 million for the year ended December 31, 2023 as compared to $2.0 million for the year ended December 31, 2022. Our effective tax rate was 20.55% and 22.91% for the years ended December 31, 2023 and 2022, respectively. The lower effective tax rate in 2023 is the result of the prior year tax provision calculation.

Selected Financial Data

The following table sets forth certain summary financial information concerning the Company and its wholly-owned subsidiary for the last five years. The information was derived from the audited consolidated financial statements. The information should be read in conjunction with this section of the report and the audited consolidated financial statements and notes.

	2023	2022	2021	2020	2019
For December 31:					
Net income	$ 5,493,616	$ 6,655,140	$ 6,744,865	$ 6,460,631	$ 7,318,433
Selected year end balances:					
Total assets	633,815,719	653,345,609	679,220,646	532,494,599	445,012,520
Total loans[1]	349,120,944	331,848,376	309,406,617	333,768,406	279,134,958
Investment securities available for sale	241,216,453	271,172,226	212,347,489	134,819,818	100,449,956
Interest-bearing deposits at the Federal Reserve	7,250,912	12,999,135	128,971,429	42,348,085	39,320,526
Earning assets	597,588,309	616,019,737	650,725,535	510,936,309	418,905,440
Total deposits	531,702,538	598,670,258	609,191,576	462,197,631	379,191,655
Total shareholders' equity	47,080,862	38,811,387	53,917,633	54,980,356	51,168,032
Weighted Average Shares Outstanding - basic	5,528,596	5,550,078	5,531,518	5,526,948	5,522,025
Weighted Average Shares Outstanding - diluted	5,626,139	5,644,698	5,680,482	5,678,543	5,588,090
For the Year:					
Selected average balances:					
Total assets	$ 639,728,141	$ 656,833,125	$ 589,379,985	$ 502,628,318	$ 440,615,140
Total loans[1]	339,912,450	320,826,946	324,078,445	313,303,363	281,508,711
Investment securities available for sale	257,007,704	266,432,504	167,250,568	112,970,054	106,421,507
Interest-bearing deposits at the Federal Reserve	12,021,914	41,131,016	75,734,060	54,231,372	34,713,982
Earning assets	608,942,068	628,390,466	567,063,073	480,504,789	422,644,200
Total deposits	552,955,814	596,881,098	519,900,412	434,071,108	381,687,960
Total shareholders' equity	42,597,908	43,602,112	54,838,166	54,021,647	49,242,545
Performance Ratios:					
Return on average equity	12.90%	15.26%	12.30%	11.96%	14.86%
Return on average assets	0.86%	1.01%	1.14%	1.29%	1.66%
Average equity to average assets	6.66%	6.64%	9.30%	10.75%	11.18%
Net interest margin	3.04%	3.01%	3.06%	3.52%	4.28%
Net (recoveries) charge-offs to average loans	0.00%	0.00%	(0.02%)	0.02%	0.14%
Allowance for loan losses as a percentage of total loans[2]	1.07%	1.30%	1.43 %	1.30%	1.46%
Per Share:					
Basic income per common share	$ 0.99	$ 1.20	$ 1.22	$ 1.17	$ 1.33
Diluted income per common share	$ 0.98	$ 1.18	$ 1.19	$ 1.14	$ 1.31
Year end book value	$ 8.61	$ 6.99	$ 9.73	$ 9.96	$ 9.25
Dividends per common share	$ 0.68	$ 0.68	$ 0.78	$ 0.66	$ 0.74
Dividend payout ratio	68.25%	56.73%	63.98%	56.44%	55.88%
Full time employee equivalents	78	79	79	76	79

(1) Including mortgage loans to be sold

(2) Excluding mortgage loans to be sold

Independent Auditor's Report

The Audit & Compliance Committee of the Board of Directors Bank of South Carolina Corporation

Opinion

We have audited the consolidated financial statements of Bank of South Carolina Corporation (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit for the year ended December 31, 2023 in accordance with auditing standards generally accepted in the United States of America (GAAS). We conducted our audit for the year ended December 31, 2022 in accordance with standards of the Public Company Accounting Oversight Board (United States) (PCAOB). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company has elected to change its method of accounting for credit losses effective January 1, 2023 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification No. 326, Financial Instruments – Credit Losses (ASC 326). The Company adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS or the standards of the PCAOB will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements

In performing an audit in accordance with GAAS and the standards of the PCAOB, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the Management's Discussion and Analysis but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Elliott Davis, LLC

Greenville, South Carolina
February 21, 2024

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
ASSETS		
Cash and due from banks	$ 14,665,148	$ 14,772,564
Interest-bearing deposits at the Federal Reserve	7,250,912	12,999,135
Investment securities available for sale (amortized cost of $258,788,034 and $296,998,150 in 2023 and 2022, respectively)	241,216,453	271,172,226
Mortgage loans to be sold	2,130,899	866,594
Loans	346,990,045	330,981,782
Less: Allowance for credit losses	(3,722,213)	(4,291,221)
Net loans	343,267,832	326,690,561
Premises, equipment and leasehold improvements, net	4,084,703	3,988,607
Right of use asset	12,799,866	13,433,692
Accrued interest receivable	2,380,972	2,145,522
Other assets	6,018,934	7,276,708
Total assets	$ 633,815,719	$ 653,345,609
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing demand	$ 182,053,144	$ 223,117,903
Interest bearing demand	163,353,919	195,143,514
Money market accounts	104,919,984	100,014,125
Time deposits $250,000 and over	15,054,652	5,303,509
Other time deposits	9,738,823	11,266,099
Other savings deposits	50,582,016	63,825,108
Total deposits	525,702,538	598,670,258
Short-term borrowings	46,000,000	—
Accrued interest payable and other liabilities	2,232,453	2,430,272
Lease liability	12,799,866	13,433,692
Total liabilities	586,734,857	614,534,222
Commitments and contingencies in Note 11		
Shareholders' equity		
Common stock - no par 12,000,000 shares authorized; Issued 5,852,325 shares at both December 31, 2023 and December 31, 2022. Shares outstanding 5,469,251 and 5,552,351 at December 31, 2023 and December 31, 2022, respectively		
Additional paid in capital	48,097,586	48,028,689
Retained earnings	15,746,736	14,002,571
Treasury stock: 383,074 shares and 299,974 shares as of December 31, 2023 and 2022, respectively	(3,800,022)	(2,817,392)
Accumulated other comprehensive loss, net of income taxes	(12,963,438)	(20,402,481)
Total shareholders' equity	47,080,862	38,811,387
Total liabilities and shareholders' equity	$ 633,815,719	$ 653,345,609

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
	2023	**2022**
Interest and fee income		
Loans, including fees	$ 20,470,618	$ 15,677,601
Taxable securities	2,711,453	2,531,951
Tax-exempt securities	517,104	584,907
Other	614,450	404,024
Total interest and fee income	24,313,625	19,198,483
Interest expense		
Deposits	4,331,944	301,793
Short-term borrowings	1,460,254	—
Total interest expense	5,792,198	301,793
Net interest income	18,521,427	18,896,690
Provision for credit losses	45,000	(75,000)
Net interest income after provision for credit losses	18,476,427	18,971,690
Other income		
Service charges and fees	1,346,521	1,290,665
Mortgage banking income	382,303	667,257
Gain on sales of securities, net	—	64,782
Other non-interest income	35,917	42,158
Total other income	1,764,741	2,064,862
Other expense		
Salaries and employee benefits	8,016,197	7,547,306
Net occupancy expense	2,699,335	2,514,904
Data processing fees	674,350	562,228
Professional expenses	481,980	448,248
Other operating expenses	1,455,167	1,331,354
Total other expense	13,327,029	12,404,040
Income before income tax expense	6,914,139	8,632,512
Income tax expense	1,420,523	1,977,372
Net income	$ 5,493,616	$ 6,655,140
Weighted average shares outstanding		
Basic	5,528,596	5,550,078
Diluted	5,626,139	5,644,698
Basic income per common share	$ 0.99	$ 1.20
Diluted income per common share	$ 0.98	$ 1.18

See accompanying notes to consolidated financial statements.

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

	Years Ended December 31, 2023	Years Ended December 31, 2022
Net income	$ 5,493,616	$ 6,655,140
Other comprehensive income (loss)		
Unrealized gain (loss) on securities arising during the period	8,254,343	(23,061,180)
Reclassification adjustment for securities gains realized in net income	—	(64,782)
Other comprehensive income (loss) before tax	8,254,343	(23,125,962)
Income tax effect related to items of other comprehensive (loss) income before tax	(815,300)	4,856,451
Other comprehensive income (loss) after tax	7,439,043	(18,269,511)
Total comprehensive income (loss)	$ 12,932,659	$ (11,614,371)

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Shares Outstanding	Additional Paid in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
December 31, 2021	5,541,266	$ 47,745,285	$ 11,122,710	$ (2,817,392)	$ (2,132,970)	$ 53,917,633
Net income	—	—	6,655,140	—	—	6,655,140
Other comprehensive loss	—	—	—	—	(18,269,511)	(18,269,511)
Stock option exercises, net of surrenders	11,085	161,731	—	—	—	161,731
Stock-based compensation expense	—	121,673	—	—	—	121,673
Cash dividends ($0.68 per common share)	—	—	(3,775,279)	—	—	(3,775,279)
December 31, 2022	5,552,351	$ 48,028,689	$ 14,002,571	$ (2,817,392)	$ (20,402,481)	$ 38,811,387
Net income	—	—	5,493,616	—	—	5,493,616
Other comprehensive income	—	—	—	—	7,439,043	7,439,043
Repurchase of common shares	(83,100)	—	—	(982,630)	—	(982,630)
Stock-based compensation expense	—	68,897	—	—	—	68,897
Cash dividends ($0.68 per common share)	—	—	(3,749,451)	—	—	(3,749,451)
December 31, 2023	5,469,251	$ 48,097,586	$ 15,746,736	$ (3,800,022)	$ (12,963,438)	$ 47,080,862

See accompanying notes to consolidated financial statements.

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

	Years Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net income	$ 5,493,616	$ 6,655,140
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	372,950	359,251
Gain on sale of investment securities	—	(64,782)
Provision for credit losses	45,000	(75,000)
Stock-based compensation expense	68,897	121,673
Deferred income taxes	73,401	(171,800)
Net amortization of unearned discounts on investment securities available for sale	777,116	869,690
Origination of mortgage loans held for sale	(40,661,879)	(60,017,637)
Proceeds from sale of mortgage loans held for sale	39,397,574	61,925,431
Decrease (increase) in accrued interest receivable and other assets	133,623	(487,217)
(Decrease) increase in accrued interest payable and other liabilities	(783,692)	358,795
Net cash provided by operating activities	4,916,606	9,473,544
Cash flows from investing activities:		
Proceeds from calls and maturities of investment securities available for sale	37,433,000	3,539,000
Proceeds from sale of investment securities available for sale	—	18,525,780
Purchase of investment securities available for sale	—	(104,820,389)
Net increase in loans	(16,022,271)	(24,360,319)
Purchase of premises, equipment, and leasehold improvements, net	(469,046)	(564,922)
Net cash provided by (used in) investing activities	20,941,683	(107,680,850)
Cash flows from financing activities:		
Net increase in short-term borrowings	46,000,000	—
Net decrease in deposit accounts	(72,967,720)	(10,521,318)
Dividends paid	(3,763,578)	(3,773,396)
Repurchase of common shares	(982,630)	—
Stock options exercised	—	161,731
Net cash used in financing activities	(31,713,928)	(14,132,983)
Net decrease in cash and cash equivalents	(5,855,639)	(112,340,289)
Cash and cash equivalents at the beginning of the period	27,771,699	140,111,988
Cash and cash equivalents at the end of the period	$ 21,916,060	$ 27,771,699
Cash paid during the period for:		
Interest	$ 5,631,429	$ 275,700
Income taxes	$ 1,666,396	$ 1,582,810
Supplemental disclosures for non-cash investing and financing activity:		
Change in unrealized gain (loss) on securities available for sale, net of income taxes	$ 7,439,043	$ (18,269,511)
Change in dividends payable	$ (14,127)	$ 1,883

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our accounting and reporting policies conform, in all material respects, to U.S. generally accepted accounting principles ("GAAP"), and to general practices within the banking industry. The following summarizes the more significant of these policies and practices.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 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 reporting purposes.

Accounting Estimates and Assumptions:

The financial statements are prepared in conformity with 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 credit losses, individually assessed loans, other real estate owned, deferred tax assets and the fair value of financial instruments.

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 as of the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist as of the date of the balance sheet but arose after that date. We have reviewed events occurring through February 21, 2024 the date the financial statements were available to be issued and no subsequent events occurred requiring accrual or disclosure.

We have disclosed deposit concentrations in Note 8. In relation to current economic conditions, we have monitored deposit concentrations through the date the financial statements were issued noting no significant changes to concentrations. In addition, there has been no significant deterioration through the date the financial statements were issued.

Cash and Cash Equivalents:

Cash and cash equivalents include working cash funds, due from banks, interest-bearing deposits at the Federal Reserve, items in process of collection and federal funds sold. All cash equivalents are readily convertible to cash and have maturities of less than 90 days.

Depository institutions are required to maintain reserve and clearing balances at the Federal Reserve Bank. Vault cash satisfied our daily reserve requirement as of December 31, 2023 and 2022.

Interest-bearing Deposits at the Federal Reserve:

Interest-bearing deposits at the Federal Reserve mature daily and are carried at cost.

Investment Securities:

We classify investments into three categories: (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 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 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 credit loss factors are recognized when it is determined that present value of cash flows expected to be collected is than the amortized cost basis of the securities.

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 2023 and 2022.

Allowance for Credit Losses - Securities Available for Sale:

For available for sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or if it is more likely than not that it will be required to sell the security before recovery of the amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income with the establishment of an allowance under the Current Expected Credit Loss ("CECL") model compared to a direct write down of the security under Incurred Loss. For debt securities available for sale that do not meet the aforementioned criteria, the Company evaluates whether any decline in fair value is due to credit loss factors. In making this assessment, management considers any changes to the rating of the security by a rating agency and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any loss that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses under CECL are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectability of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2023, there was no allowance for credit losses related to the available-for-sale portfolio.

Accrued interest receivable on available for sale debt securities totaled $1.1 million at December 31, 2023 and was excluded from the estimate of credit losses.

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 to be sold portfolio. 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. Because of the short-term nature of these derivative contracts, the fair value of the mortgage loans to be sold in most cases is materially 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. Gains or losses on sales of loans are recognized when control over these assets are surrendered and are included in mortgage banking income in the consolidated statements of income.

Loans and Allowance for Credit Losses:

Under the current expected credit loss model, the allowance for credit losses on loans is a valuation allowance estimated at each balance sheet date in accordance with GAAP that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans.

Management assesses the adequacy of the allowance on a quarterly basis. This assessment includes procedures to estimate the allowance and test the adequacy and appropriateness of the resulting balance. The level of the allowance is based upon management's evaluation of historical default and loss experience, current and projected economic conditions, asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay a loan, the estimated value of any underlying collateral, composition of the loan portfolio, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations. Management believes the level of the allowance for credit losses is adequate to absorb all expected future losses inherent in the loan portfolio at the balance sheet date. The allowance is increased through a provision for credit losses and decreased by charge-offs, net of recoveries of amounts previously charged-off, or negative provisions, when appropriate.

The allowance for credit losses is measured on a collective basis for pools of loans with similar risk characteristics. The Company uses the Loss Rate Approach to estimate the current expected credit losses. The Bank calculates the annual loss rate by dividing the annual net charge-offs by the average balance of loans. The Bank used the simple average of the prior year and current year balance to get the average balance by segment which is adjusted by the estimated prepayment rate to get the lifetime historical loss rate. This loss rate is further adjusted by qualitative and forecast adjustments to get the estimated lifetime loss rate.

The forecast adjustments (House Price Index, Vacancy Rate, and Unemployment Rate) are discussed by the Management Asset/Liability Committee (ALCO) on a periodic basis. Upon ALCO's recommendation, the calculation can be adjusted accordingly to reflect the current market and economic conditions.

The Company uses loan purpose codes to segment loans based on similar purpose and risk characteristics. The Bank manages these loans on a collective basis. This segmentation is used for call report purposes, and the Bank believes it is appropriate for the CECL calculations. Due to the size of the Bank's loan portfolio, management determined that further segmentation would be too granular and segments would be statistically insignificant.

Loans and Allowance for Credit Losses (Continued):

Loans that do not share similar risk characteristics with the collectively evaluated pools are evaluated on an individual basis and are excluded from the collectively evaluated loan pools. Individual loan evaluations are generally performed for individually assessed loans, which includes nonaccrual loans. Such loans are evaluated for credit losses based on either discounted cash flows or the fair value of collateral. The Company has elected the practical expedient under ASC 326 to estimate expected credit losses based on the fair value of collateral, which considers selling costs in the event of the sale of the collateral.

While the Company's policies and procedures used to estimate the allowance for credit losses, as well as the resultant provision for credit losses charged to income, are considered adequate by management and are reviewed periodically by regulators, model validators and internal audit, they are necessarily approximate and imprecise. There are factors beyond the Company's control, such as changes in projected economic conditions, real estate markets or particular industry conditions which may materially impact asset quality and the adequacy of the allowance for credit losses and thus the resulting provision for credit losses.

Allowance for Credit Losses - Accrued Interest Receivable

Accrued interest receivable related to loans totaled $1.3 million at December 31, 2023 and was reported in accrued interest receivable on the consolidated balance sheets. The Company elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Company believes the collection of interest is doubtful. The Company has concluded that this policy results in the timely reversal of uncollectable interest.

Allowance for Credit Loss - Unfunded Commitments

Effective with the adoption of CECL, the Company estimates expected credit losses on commitments to extend credit over the contractual period in which the Company is exposed to credit risk on the underlying commitments, unless the obligation is unconditionally cancelable by the Company. The allowance for credit loss – unfunded commitments, which is reflected within accrued interest payable and other liabilities on the consolidated balance sheet, is adjusted for as an increase or decrease to the provision for credit losses. The estimate includes consideration of the likelihood of funding and a credit loss will occur. The allowance is calculated using the same aggregate reserve rates calculated for the funded portion of loans at the portfolio level applied to the amount of commitments expected to fund.

Concentration of Credit Risk:

Our primary market consists of the counties of Berkeley, Charleston and Dorchester, South Carolina. As of December 31, 2023, 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:

Land is carried at cost. Buildings and equipment are stated at cost less accumulated depreciation. Depreciation is recorded using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes over the estimated useful lives of the assets ranging from 40 years for buildings and 3 to 15 years for equipment. Leasehold improvements are amortized over the shorter of the asset's useful life or the remaining lease term, including renewal periods when reasonably assured. The cost of maintenance and repairs is charged to operating expense as incurred.

Leases:

In accordance with ASU 2016-02, the Company determines if a contractual arrangement is a lease at inception. Operating leases are included in the operating right of use ("ROU") assets and current operating lease liabilities on the Company's consolidated balance sheet. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Currently, the Company does not have any finance leases.

Operating lease ROU assets and lease liabilities are recognized at the commencement of the lease based on the present value of lease payments over the lease term. The lease payments included in the present value are fixed payments and index-based variable lease payments. The Company estimates the incremental borrowing rate, based on information available at the commencement of the lease, as most of the Company's leases do not include an implicit rate.

Revenue Recognition:

In accordance with Topic 606, revenues are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation.

Revenue Recognition (Continued):

The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services that are promised within each contract and identifies those that contain performance obligations, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Service Fees on Deposit Accounts

The Bank earns fees from its deposit customers for account maintenance, transaction-based and overdraft services. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied and the fees are recognized on a monthly basis as the service period is completed. Transaction- based fees on deposits accounts are charged to deposit customers for specific services provided to the customer, such as non-sufficient funds fees, overdraft fees, and wire fees. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

ATM and Check Card Fee Income

Check card fee income represents fees earned when a debit card issued by the Bank is used. The Bank earns interchange fees from debit cardholder transactions through the Mastercard payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied and the fees are earned when the cost of the transaction is charged to the card. Certain expenses directly associated with the debit card are recorded on a net basis with the fee income.

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 years ended December 31, 2023 and 2022.

The income tax effects of unrealized gains and losses on investment securities available for sale are released from accumulated other comprehensive income at the time such securities are sold or impaired.

Stock-Based Compensation:

Compensation cost is recognized for stock options issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options. Compensation cost is recognized over the expected term of the stock options and is adjusted for forfeitures as they occur.

Income Per Common Share:

Basic income per share is computed by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per share is 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. Earnings per share are restated for all stock splits and stock dividends, if any, through the date of issuance of the consolidated financial statements.

Segment Information:

The Company operates and manages itself within one retail banking segment and therefore has not provided segment disclosures.

Interest Rate Lock Commitments and Forward Sale Contracts:

Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free-standing derivatives. The fair value of the interest rate lock is recorded at the time the commitment to fund the mortgage loan is executed and is adjusted for the expected exercise of the commitments before the loan is funded. In order to hedge the change in interest rates resulting from commitments to fund the loans, we enter into forward commitments for the future delivery of mortgage loans when the interest rate is locked. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest on the loan is locked. Changes in the fair values of these derivatives are included in income when they occur. As a result of the short-term nature of mortgage loans held for sale (derivative contract), our derivative instruments were considered to be immaterial as of December 31, 2023 and 2022.

We had no embedded derivative instruments requiring hedge accounting treatment at December 31, 2023 and 2022. We do not currently engage in hedging activities.

Recent Accounting Pronouncements:

The following is a summary of recent authoritative pronouncements that could or have impacted the accounting, reporting and/or disclosure of financial information by the Company.

In June 2016, the Financial Accounting Standards Board (the "FASB") issued *ASU 2016-13, Financial Instruments – Credit Losses (Topic 326).* The Accounting Standards Update, or ASU, introduced a new credit loss methodology, the Current Expected Credit Loss ("CECL") methodology, which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU.

The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities, and other receivables at the time the financial asset is originated or acquired. It also applies to off-balance sheet credit exposures such as unfunded commitments to extend credit. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, is recognized through an allowance for credit losses and adjusted each period for changes in credit risk.

On January 1, 2023, the Company adopted the guidance. Results for reporting periods beginning after January 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with the previously applicable incurred loss accounting methodology. The adoption of CECL resulted in an increase in the allowance for unfunded commitments of $600,000, a decrease in the allowance for credit losses of $600,000 and no change to the Company's investment securities portfolio. There was no adjustment to retained earnings as of January 1, 2023. Federal banking regulatory agencies provided optional relief to delay the adverse regulatory capital impact of CECL at adoption. The Company did not elect to use this optional relief.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the accounting guidance on troubled debt restructurings (TDRs) for creditors in ASC 310-402 and amends the guidance on "vintage disclosures" to require disclosure of current-period gross write-offs by year of origination. The ASU also updates the requirements related to accounting for credit losses under ASC 326 and adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty. The Company adopted the amendments in ASU 2022-02 upon the Company's adoption of ASU 2016-13 as of January 1, 2023.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. In December 2022, the FASB extended the sunset date of ASC 848 from December 31, 2022 to December 31, 2024. The Company does not expect these amendments to have a material effect on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures*, which requires disclosures of specific categories in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold. In addition, ASU 2023-09 requires disaggregated disclosure of the amount of income taxes paid (net of refunds received) by tax jurisdiction. ASC 2023-09 is effective for the Company's annual financial statements for the year ending December 31, 2024. The Company is currently in the process of evaluating the impacts on the consolidated financial statements of adopting ASU 2023-09.

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.

3. INVESTMENT SECURITIES AVAILABLE FOR SALE

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

	December 31, 2023			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
U.S. Treasury Notes	$ 159,808,100	$ —	$ (6,726,584)	$ 153,081,516
Government-Sponsored Enterprises	62,173,776	—	(8,435,620)	53,738,156
Municipal Securities	36,806,158	5,494	(2,414,871)	34,396,781
Total	$ 258,788,034	$ 5,494	$ (17,577,075)	$ 241,216,453

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury Notes	$ 180,298,301	$ —	$ (12,110,986)	$ 168,187,315
Government-Sponsored Enterprises	67,384,808	—	(10,310,084)	57,074,724
Municipal Securities	49,315,041	2,510	(3,407,364)	45,910,187
Total	$ 296,998,150	$ 2,510	$ (25,828,434)	$ 271,172,226

The amortized cost and estimated fair value of investment securities available for sale at December 31, 2023 and 2022 by contractual maturity, are in the following table.

	December 31, 2023		December 31, 2022	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 78,840,342	$ 77,638,329	$ 42,722,655	$ 41,698,011
Due in one year to five years	134,373,684	124,608,670	190,569,869	176,217,530
Due in five years to ten years	36,787,552	31,468,308	53,995,700	45,386,818
Due in ten years and over	8,786,456	7,501,146	9,709,926	7,869,867
Total	$ 258,788,034	$ 241,216,453	$ 296,998,150	$ 271,172,226

Securities pledged to secure deposits at December 31, 2023 and 2022, had a carrying amount of $76,663,644 and $30,103,249, respectively.

The tables below summarize gross unrealized losses on investment securities and the fair market 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, 2023 and 2022. Unrealized losses have not been recognized into income because the issuer(s) bonds are of high credit quality (rated AA or higher), we do not intend to sell prior to their anticipated recovery and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuer(s) continue to make timely principal and interest payments on the securities. The fair value is expected to recover as the securities near maturity. At December 31, 2023, there was no allowance for credit losses – securities available for sale.

	December 31, 2023								
	Less Than 12 Months			12 Months or Longer			Total		
	#	Fair Value	Gross Unrealized Loss	#	Fair Value	Gross Unrealized Loss	#	Fair Value	Gross Unrealized Loss
U.S. Treasury Notes	-	$ -	$ -	22	$ 148,081,516	$ (6,726,584)	22	$ 148,081,516	$ (6,726,584)
Government-Sponsored Enterprises	1	1,278,016	(20,267)	9	52,460,140	(8,415,353)	10	53,738,156	(8,435,620)
Municipal Securities	1	1,310,114	(2,838)	67	32,052,498	(2,412,033)	68	33,362,612	(2,414,871)
Total	2	$ 2,588,130	$ (23,105)	98	$ 232,594,154	$ (17,553,970)	100	$ 235,182,284	$ (17,577,075)

	December 31, 2022								
	Less Than 12 Months			12 Months or Longer			Total		
	#	Fair Value	Gross Unrealized Loss	#	Fair Value	Gross Unrealized Loss	#	Fair Value	Gross Unrealized Loss
U.S. Treasury Notes	7	$ 38,181,255	$ (1,790,134)	18	$ 130,006,060	$ (10,320,852)	25	$ 168,187,315	$ (12,110,986)
Government-Sponsored Enterprises	2	6,212,285	(84,170)	9	50,862,439	(10,225,914)	11	57,074,724	(10,310,084)
Municipal Securities	46	26,068,218	(932,565)	31	14,859,459	(2,474,799)	77	40,927,677	(3,407,364)
Total	55	$ 70,461,758	$ (2,806,869)	58	$ 195,727,958	$ (23,021,565)	113	$ 266,189,716	$ (25,828,434)

The table below shows the proceeds received from sales of securities available for sale and gross realized gains and losses.

	For the Year Ended December 31,	
	2023	2022
Gross proceeds	$ —	$ 18,525,780
Gross realized gains	—	64,782

The tax provision related to these gains was $13,604 for the year ended December 31, 2022.

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Major classifications of loans (net of deferred loan fees and costs of $212,006 at December 31, 2023, and $159,434 at December 31, 2022) are shown in the table below.

	December 31, 2023	December 31, 2022
Commercial	$ 54,953,535	$ 45,072,059
Commercial Real Estate:		
Construction	25,884,216	17,524,260
Other	170,773,511	172,897,387
Consumer:		
Real Estate	91,592,183	91,636,538
Other	3,786,600	3,851,538
	346,990,045	330,981,782
Allowance for credit losses	(3,722,213)	(4,291,221)
Loans, net	$ 343,267,832	$ 326,690,561

We had $138.4 million and $93.1 million of loans pledged as collateral to secure funding with the Federal Reserve Bank ("FRB") Discount Window at December 31, 2023 and 2022, respectively.

Our portfolio grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled. Our internal credit risk grading system is based on experience with similarly graded loans, industry best practices, and regulatory guidance. Our portfolio is graded in its entirety.

Our internally assigned grades pursuant to the Board-approved lending policy are as follows:

- **Excellent** (1) The borrowing entity has more than adequate cash flow, unquestionable strength, strong earnings and capital, and where applicable, no overdrafts.
- **Good** (2) The borrowing entity has dependable cash flow, better than average financial condition, good capital and usually no overdrafts.
- **Satisfactory** (3) The borrowing entity has adequate cash flow, satisfactory financial condition, and explainable overdrafts (if any).
- **Watch** (4) The borrowing entity has generally adequate, yet inconsistent cash flow, cyclical earnings, weak capital, loan to/from stockholders, and infrequent overdrafts. The borrower has consistent yet sometimes unpredictable sales and growth.
- **OAEM** (5) The borrowing entity has marginal cash flow, occasional past dues, and frequent and unexpected working capital needs.
- **Substandard** (6) The borrowing entity has cash flow barely sufficient to service debt, deteriorated financial condition, and bankruptcy is a possibility. The borrowing entity has declining sales, rising costs, and may need to look for secondary source of repayment.
- **Doubtful** (7) The borrowing entity has negative cash flow. Survival of the business is at risk, full repayment is unlikely, and there are frequent and unexplained overdrafts. The borrowing entity shows declining trends and no operating profits.
- **Loss** (8) The borrowing entity has negative cash flow with no alternatives. Survival of the business is unlikely.

The following table illustrates credit quality by class indicators by year of origination at December 31, 2023. "Pass" includes loans internally graded as excellent, good and satisfactory.

	Term Loans by Year of Origination							
	2023	2022	2021	2020	2019	Prior	Revolving	Total
Commercial								
Pass	$ 23,071,516	$ 7,939,040	$ 3,026,211	$ 3,891,097	$ 742,486	$ 7,654	$ 14,104,085	$ 52,782,089
Watch	453,708	388,324	—	14,186	5,812	—	338,383	1,200,413
OAEM	241,000	—	—	—	—	—	—	241,000
Substandard	—	730,033	—	—	—	—	—	730,033
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	$ 23,766,224	$ 9,057,397	$ 3,026,211	$ 3,905,283	$ 748,298	$ 7,654	$ 14,442,468	$ 54,953,535
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 46,341	$ —	$ 46,341
Commercial Real Estate								
Construction								
Pass	$ 10,473,495	$ 7,664,760	$ 3,292,829	$ 4,453,132	$ —	$ —	$ —	$ 25,884,216
Watch	—	—	—	—	—	—	—	—
OAEM	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	$ 10,473,495	$ 7,664,760	$ 3,292,829	$ 4,453,132	$ —	$ —	$ —	$ 25,884,216
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial Real Estate Other								
Pass	$ 32,161,087	$ 43,468,700	$ 45,481,726	$ 23,104,565	$ 9,564,467	$ 2,576,408	$ 4,667,248	$ 161,024,201
Watch	2,500,509	427,839	4,674,010	423,390	—	—	—	8,025,748
OAEM	873,679	—	—	—	—	—	—	873,679
Substandard	—	—	849,883	—	—	—	—	849,883
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	$ 35,535,275	$ 43,896,539	$ 51,005,619	$ 23,527,955	$ 9,564,467	$ 2,576,408	$ 4,667,248	$ 170,773,511
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer Real Estate								
Pass	$ 17,313,427	$ 21,420,283	$ 8,141,547	$ 8,494,119	$ 317,645	$ 74,408	$ 34,194,701	$ 89,956,130
Watch	—	—	—	—	—	—	1,137,636	1,137,636
OAEM	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	248,776	—	249,641	498,417
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	$ 17,313,427	$ 21,420,283	$ 8,141,547	$ 8,494,119	$ 566,421	$ 74,408	$ 35,581,978	$ 91,592,183
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer Other								
Pass	$ 1,846,061	$ 809,330	$ 341,652	$ 125,233	$ 47,302	$ —	$ 439,764	$ 3,609,342
Watch	82,605	10,865	16,518	414	—	—	27,528	137,930
OAEM	—	—	—	3,173	—	—	—	3,173
Substandard	36,155	—	—	—	—	—	—	36,155
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	$ 1,964,821	$ 820,195	$ 358,170	$ 128,820	$ 47,302	$ —	$ 467,292	$ 3,786,600
Current period gross charge-offs	$ —	$ —	$ 2,077	$ —	$ —	$ —	$ —	$ 2,077

The following table illustrates credit risks by category and internally assigned grades at December 31, 2022.

	Commercial	Commercial Real Estate Construction	Commercial Real Estate Other	Consumer Real Estate	Consumer Other	Total
Pass	$ 42,724,289	$ 17,524,260	$ 167,518,577	$ 86,183,899	$ 3,597,886	$ 317,548,911
Watch	976,966	—	3,223,532	4,928,437	208,417	9,337,352
OAEM	94,803	—	968,611	274,445	7,345	1,345,204
Substandard	1,276,001	—	1,186,667	249,757	37,890	2,750,315
Doubtful	—	—	—	—	—	—
Loss	—	—	—	—	—	—
Total	$ 45,072,059	$ 17,524,260	$ 172,897,387	$ 91,636,538	$ 3,851,538	$ 330,981,782

The following tables include an aging analysis of the recorded investment in loans segregated by class.

December 31, 2023

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Nonaccrual	Total Past Due	Current	Total Loans Receivable	Recorded Investment ≥ 90 Days and Accruing
Commercial	$ 171,000	$ -	$ -	$ -	$ 171,000	$ 54,782,535	$ 54,953,535	$ -
Commercial Real Estate Construction	-	-	-	-	-	25,884,216	25,884,216	-
Commercial Real Estate Other	796,588	-	-	327,471	1,124,059	169,649,452	170,773,511	-
Consumer Real Estate	278,944	-	-	248,776	527,720	91,064,463	91,592,183	-
Consumer Other	22,987	-	-	-	22,987	3,763,613	3,786,600	-
Total	$ 1,269,519	$ -	$ -	$ 576,247	$ 1,845,766	$ 345,144,279	$ 346,990,045	$ -

December 31, 2022

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Nonaccrual	Total Past Due	Current	Total Loans Receivable	Recorded Investment ≥ 90 Days and Accruing
Commercial	$ 16,451	$ 178,975	$ -	$ -	$ 195,426	$ 44,876,633	$ 45,072,059	$ -
Commercial Real Estate Construction	-	-	-	-	-	17,524,260	17,524,260	-
Commercial Real Estate Other	45,425	-	-	631,453	676,878	172,220,509	172,897,387	-
Consumer Real Estate	274,445	-	-	-	274,445	91,362,093	91,636,538	-
Consumer Other	-	-	-	-	-	3,851,538	3,851,538	-
Total	$ 336,321	$ 178,975	$ -	$ 631,453	$ 1,146,749	$ 329,835,033	$ 330,981,782	$ -

The following table summarizes the balances of non-accrual loans.

	CECL			Incurred Loss
	December 31, 2023			December 31, 2022
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans	Nonaccrual Loans
Commercial	$ —	$ —	$ —	$ —
Commercial Real Estate Construction	—	—	—	—
Commercial Real Estate Other	327,471	—	327,471	631,453
Consumer Real Estate	248,776	—	248,776	—
Consumer Other	—	—	—	—
Total	$ 576,247	$ —	$ 576,247	$ 631,453

We designate individually evaluated loans on nonaccrual status as collateral dependent loans, as well as other loans that management designates as having higher risk. Collateral dependent loans are loans for which repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. Under CECL, for collateral dependent loans, we adopted the practical expedient to measure the allowance for credit losses based on the fair value of the collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The following table details the amortized cost of collateral dependent loans:

	December 31, 2023
Commercial	$ —
Commercial Real Estate Construction	—
Commercial Real Estate Other	859,879
Consumer Real Estate	498,417
Consumer Other	—
Total	$ 1,358,296

The following table sets forth the changes in the allowance for credit losses and an allocation of the allowance for credit losses by class for the year ended December 31, 2023 under the CECL methodology.

	Year Ended December 31, 2023					
	Commercial	Commercial Real Estate Construction	Commercial Real Estate Other	Consumer Real Estate	Consumer Other	Total
Allowance for Credit Losses:						
Beginning balance	$ 735,759	$ 230,625	$ 2,216,484	$ 1,014,777	$ 93,576	$ 4,291,221
Adoption of ASU 2016-13	(82,001)	(36,509)	(314,522)	(160,802)	(6,166)	(600,000)
Charge-offs	(46,341)	—	—	—	(2,077)	(48,418)
Recoveries	2,400	—	24,000	—	8,010	34,410
Provisions	6,196	209,049	(828,455)	707,481	(49,271)	45,000
Ending balance	$ 616,013	$ 403,165	$ 1,097,507	$ 1,561,456	$ 44,072	$ 3,722,213

Prior to the adoption of ASC 326 on January 1, 2023, we calculated the allowance for credit losses under the incurred loss methodology. The following table sets forth the changes in the allowance for loan losses for the year ended December 31, 2022.

December 31, 2022	Commercial	Commercial Real Estate Construction	Commercial Real Estate Other	Consumer Real Estate	Consumer Other	Paycheck Protection Program	Total
Allowance for Loan Losses							
Beginning Balance	$ 795,689	$ 175,493	$ 2,376,306	$ 924,784	$ 104,715	$ —	$ 4,376,987
Charge-offs	(40,600)	—	—	(2,034)	—	(10)	(42,644)
Recoveries	800	—	18,000	—	12,224	854	31,878
Provisions	(20,130)	55,132	(177,822)	92,027	(23,363)	(844)	(75,000)
Ending Balance	$ 735,759	$ 230,625	$ 2,216,484	$ 1,014,777	$ 93,576	$ —	$ 4,291,221

Prior to the adoption of ASC 326 on January 1, 2023, the Company calculated the allowance for loan losses under the incurred loss methodology. The following table includes disclosures related to the allowance for loan losses in prior periods.

December 31, 2022	Commercial	Commercial Real Estate Construction	Commercial Real Estate Other	Consumer Real Estate	Consumer Other	Paycheck Protection Program	Total
Allowance for Loan Losses							
Individually evaluated for impairment	$ 179,230	$ —	$ —	$ —	$ 37,889	$ —	$ 217,119
Collectively evaluated for impairment	556,529	230,625	2,216,484	1,014,777	55,687	—	4,074,102
	735,759	230,625	2,216,484	1,014,777	93,576	—	4,291,221
Loans Receivable							
Individually evaluated for impairment	1,276,001	—	1,202,412	249,758	37,889	—	2,766,060
Collectively evaluated for impairment	43,796,058	17,524,260	171,694,975	91,386,780	3,813,649	—	328,215,722
Total Loans Receivable	$ 45,072,059	$ 17,524,260	$ 172,897,387	$ 91,636,538	$ 3,851,538	$ —	$ 330,981,782

As of December 31, 2022, loans individually evaluated for impairment and the corresponding allowance for loan losses are presented in the following table.

	Impaired Loans as of December 31, 2022		
	Unpaid Principal Balance	Recorded Investment	Related Allowance
With no related allowance recorded:			
Commercial	$ 317,553	$ 317,553	$ —
Commercial Real Estate Construction	—	—	—
Commercial Real Estate Other	1,202,412	1,202,412	—
Consumer Real Estate	249,758	249,758	—
Consumer Other	—	—	—
Total	1,769,723	1,769,723	—
With an allowance recorded:			
Commercial	958,448	958,448	179,230
Commercial Real Estate Construction	—	—	—
Commercial Real Estate Other	—	—	—
Consumer Real Estate	—	—	—
Consumer Other	37,889	37,889	37,889
Total	996,337	996,337	217,119
Commercial	1,276,001	1,276,001	179,230
Commercial Real Estate Construction	—	—	—
Commercial Real Estate Other	1,202,412	1,202,412	—
Consumer Real Estate	249,758	249,758	—
Consumer Other	37,889	37,889	37,889
Total	$ 2,766,060	$ 2,766,060	$ 217,119

The following table presents average impaired loans and interest income recognized on those impaired loans, by class segment, for the year ended December 31, 2022.

	Year Ended December 31, 2022	
	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:		
Commercial	$ 344,592	$ 21,445
Commercial Real Estate Construction	—	—
Commercial Real Estate Other	1,231,015	30,689
Consumer Real Estate	249,758	14,019
Consumer Other	—	—
	1,825,365	66,153
With an allowance recorded:		
Commercial	981,575	63,267
Commercial Real Estate Construction	—	—
Commercial Real Estate Other	—	—
Consumer Real Estate	—	—
Consumer Other	38,962	2,532
	1,020,537	65,799
Total		
Commercial	1,326,167	84,712
Commercial Real Estate Construction	—	—
Commercial Real Estate Other	1,231,015	30,689
Consumer Real Estate	249,758	14,019
Consumer Other	38,962	2,532
	$ 2,845,902	$ 131,952

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. We use the loss rate approach to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, we modify loans by providing principal forgiveness on certain real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In some cases, we will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

There were no loans modified during the year ended December 31, 2023. As of December 31, 2023, there were three loans with a balance of $0.5 million that were granted extended payment terms with no principal reduction during the year ended December 31, 2022. The structure of two of the loans changed to interest only. With respect to these two loans, one loan was performing as agreed as of December 31, 2023, while the other loan was not performing and we are considering further collection actions, including potential foreclosure proceedings.

The following table shows the amortized cost basis as of December 31, 2023 of the loans modified for borrowers experiencing financial difficulty, disaggregated by class of loans, and describes the financial effect of the modifications made for borrowers experiencing financial difficulty:

	Term Extension			
	Amortized Cost Basis		% of Total Loan Type	Financial Effect
Commercial	$	151,588	0.3%	Reduced monthly payment
Commercial Real Estate Other		317,475	0.2%	Forbearance agreement signed for one loan and provided eleven months deferral to second borrower and added to the end of the original term loan.
Consumer Other		36,155	1.0%	Reduced monthly payment
Total	$	505,218		

We maintain an allowance for credit loss – unfunded commitments for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable (i.e., commitment cannot be canceled at any time). The allowance for credit loss – unfunded commitments is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans. The allowance for credit losses for unfunded loan commitments of $539,912 and $44,912 at December 31, 2023 and December 31, 2022, respectively, is classified on the balance sheet within Accrued interest payable and other liabilities. The adoption of CECL resulted in an increase to the allowance for credit loss – unfunded commitments of $600,000. During the year ended December 31, 2023, there was a subsequent reduction in the allowance for credit loss – unfunded commitments of $105,000, which was made based on our analysis of the adequacy of the allowance.

5. CONCENTRATIONS OF CREDIT RISK

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, medical, and legal 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. The majority of the loan portfolio is located in our immediate market area with a concentration in real estate related activities.

Our loans were concentrated in the following categories.

	December 31, 2023	December 31, 2022
Commercial	15.84%	13.62%
Commercial Real Estate Construction	7.46%	5.29%
Commercial Real Estate Other	49.22%	52.24%
Consumer Real Estate	26.40%	27.69%
Consumer Other	1.08%	1.16%
Total	100.00%	100.00%

6. PREMISES, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Premises, equipment and leasehold improvements are summarized in the table below.

	December 31,			
	2023		2022	
Bank buildings	$	1,861,237	$	1,861,237
Land		838,075		838,075
Leasehold purchases		30,000		30,000
Leasehold improvements		3,240,292		2,629,441
Construction in progress		31,654		535,434
Equipment		4,635,314		4,273,339
		10,636,572		10,167,526
Accumulated depreciation		(6,551,869)		(6,178,919)
Total	$	4,084,703	$	3,988,607

Depreciation on our bank premises and equipment charged to operating expense totaled $372,950 and $359,251 during the years ended December 31, 2023 and 2022, respectively.

7. LEASES

As of December 31, 2023 and 2022, the Company had operating right of use ("ROU") assets of $12.8 million and $13.4 million, respectively, and operating lease liabilities of $12.8 million and $13.4 million, respectively. The Company maintains operating leases on land, branch facilities, and parking. Operating leases generally contain initial fixed payment terms that adjust in future years based on the consumer price index or similar measure. Most of the leases include one or more options to renew, with renewal terms extending up to 20 years. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are recognized in lease expense.

As of December 31, 2023, the weighted average remaining lease term is 14.82 years and the weighted average incremental borrowing rate is 4.08%.

The exercise of renewal options is based on the sole judgement of management and what they consider to be reasonably certain. Based on the market areas, past practices, and contract terms of all leases, the Bank assumed all renewal options will be exercised. Minimum rental commitments for these leases as of December 31, 2023 are presented in the table below.

2024	$	1,182,745
2025		1,182,745
2026		1,182,745
2027		1,182,745
2028		1,182,745
2029 and thereafter		11,126,506
Total undiscounted lease payments	$	17,040,231
Less: effect of discounting		(4,240,365)
Present value of estimated lease payments	$	12,799,866

The table below shows lease expense components for the years ended December 31, 2023 and 2022.

	December 31,			
Lease Expense Components:	2023		2022	
Operating lease expense	$	1,239,861	$	1,192,292
Short-term lease expense		—		—
Total lease expense	$	1,239,861	$	1,192,292

As of December 31, 2023, we did not maintain any finance leases and we determined that the number and dollar amount of equipment leases was immaterial. As of December 31, 2023, we have no additional operating leases that have not yet commenced.

8. DEPOSITS

As of December 31, 2023 and 2022, time deposits exceeding the FDIC insurance limit of $250,000 or more totaled approximately $15,054,652 and $5,303,509, respectively, representing 60.7% and 32.0%, respectively, of time deposits. In addition, we consider any deposit customers with balances in excess of 5% of total deposits to be large deposit customers. As of December 31, 2023 and 2022, we had no large deposit customers.

The scheduled maturities of certificates of deposit as of December 31, 2023 are presented in the table below:

2024	$	22,522,232
2025		872,885
2026		822,719
2027		353,942
2028 and thereafter		221,697
	$	24,793,475

As of December 31, 2023 and 2022, deposits with a deficit balance of $29,666 and $80,524, respectively, were re-classified as other loans.

9. SHORT-TERM BORROWINGS

During the first quarter of 2023, the Federal Reserve authorized all twelve Reserve Banks to establish the Bank Term Funding Program (the "Program") to make available additional funding to eligible depository institutions in order to help assure banks have the ability to meet the needs of all their depositors. The Program offers advances of up to one year in length to banks, savings associations, credit unions and other eligible depository institutions pledging any collateral eligible for purchase by the Federal Reserve Bank in open market options, such as U.S. Treasuries, U.S. agency securities and U.S. agency mortgage-backed securities. Advances are limited to the par value of the eligible collateral pledged by the eligible borrower. The Bank established a $25.0 million credit line under the Program during the first quarter of 2023 and subsequently increased the credit line by an additional $25.0 million during the second quarter of 2023 to $50.0 million. As of December 31, 2023, there were $46.0 million in borrowings under the Program. The interest rate on borrowings under the Program is the one-year overnight swap rate plus 10 basis points and is fixed for the term of the advance. The interest rate ranged from a low of 4.37% to a high of 5.59% during the year ended December 31, 2023. All borrowings at year end have maturity dates from March 28, 2024 through July 1, 2024. The borrowings will be repaid with proceeds from the maturities of the investment securities pledged as collateral.

We have a Borrower-In-Custody arrangement with the Federal Reserve, which we established as an additional source of liquidity. This arrangement permits the Company to retain possession of loans pledged as collateral to secure advances from the Federal Reserve Discount Window. Under this agreement, we may borrow up to $126.8 million as of December 31, 2023. We had no outstanding borrowings under this arrangement at December 31, 2023 and 2022.

At December 31, 2023 and 2022, the Bank had unused short-term lines of credit totaling approximately $41.0 million (which are withdrawable at the lender's option).

10. INCOME TAXES

Total income taxes for the years ended December 31, 2023 and 2022 are presented in the table below.

	Year ending December 31,	
	2023	**2022**
Current income taxes		
Federal	$ 1,089,154	$ 1,837,678
State	257,968	311,494
Total current tax expense	1,347,122	2,149,172
Deferred income tax expense (benefit)	73,401	(171,800)
Total income tax expense	$ 1,420,523	$ 1,977,372

The differences between actual income tax expense and the amounts computed by applying the U.S. federal income tax rate of 21% to pretax income from continuing operations for the periods indicated are reconciled in the table below.

	Year ending December 31,	
	2023	**2022**
Computed "expected" tax expense	$ 1,470,959	$ 1,812,828
Increase (reduction) in income taxes resulting from:		
Stock based compensation	14,276	24,901
Valuation allowance	2,047	(9,111)
Other	(212,588)	22,389
State income tax, net of federal benefit	203,795	246,080
Tax exempt interest income	(57,966)	(119,715)
	$ 1,420,523	$ 1,977,372

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2023 and 2022 are presented below.

	As of December 31, 2023	As of December 31, 2022
Deferred tax assets:		
Allowance for credit losses	$ 781,665	$ 901,156
Unrealized loss on securities available for sale	4,608,144	5,423,444
Deferred loan fees	44,484	33,481
Pass through income	185,753	188,401
State net operating loss carryforward	90,555	88,229
Nonaccrual interest	10,048	36,879
Other	113,611	11,421
Total gross deferred tax assets	5,834,260	6,683,011
Valuation allowance	(90,591)	(88,544)
Total gross deferred tax assets, net of valuation allowance	5,743,669	6,594,467
Deferred tax liabilities:		
Fixed assets, principally due to differences in depreciation	(334,153)	(289,935)
Prepaid expenses	—	(567)
Other	(55,636)	(59,337)
Total gross deferred tax liabilities	(389,789)	(349,839)
Net deferred tax asset	$ 5,353,880	$ 6,244,628

There was a $90,591 and $88,544 valuation allowance for deferred tax assets at December 31, 2023 and 2022, respectively, associated with the Company's state tax credits. 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, 2023 and 2022. 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.

The Company measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid.

The Company has analyzed the tax positions taken or expected to be taken in its tax returns and concluded it has no liability related to uncertain tax positions in accordance with applicable regulations.

Tax returns for 2020 and subsequent years are subject to examination by taxing authorities.

11. COMMITMENTS AND CONTINGENCIES

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 we do 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 $140,058,580 and $145,392,792 at December 31, 2023 and 2022, 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. Commitments under standby letters of credit are usually for one year or less. At December 31, 2023 and 2022, 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, 2023 and 2022 was $2,646,283 and $2,518,771, respectively.

12. RELATED PARTY TRANSACTIONS

In the opinion of management, loans to our Executive 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 past due loans to our Executive Officers and Directors as of December 31, 2023 and 2022.

The table below summarizes related party loans.

	December 31, 2023	December 31, 2022
Balance at beginning of the year	$ 4,184,758	$ 5,513,146
New loans or advances	1,439,574	806,053
Repayments	(833,611)	(2,134,441)
Balance at the end of the year	$ 4,790,721	$ 4,184,758

At December 31, 2023 and 2022, total deposits held by related parties were $18,928,881 and $7,426,656, respectively.

13. OTHER EXPENSE

The table below summarizes the components of other operating expense.

	For the year ended December 31,	
	2023	2022
Telephone and postage	$ 217,090	$ 205,296
State and FDIC insurance and fees	333,357	258,541
Supplies	87,360	61,551
Courier service	55,765	48,475
Insurance	54,075	55,178
Advertising and business development	12,954	11,480
Other	694,566	690,833
Total other operating expenses	$ 1,455,167	$ 1,331,354

14. STOCK INCENTIVE PLANS

We have two employee Stock Incentive Plans: the first plan, which was approved in 2010, has 300,000 (363,000 adjusted for two 10% stock dividends) shares reserved and the second plan, which was approved in 2020, has 300,000 shares reserved. No new options may be granted under the 2010 plan, as it expired on April 14, 2020. Under the 2020 plan, 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 the 2020 plan if the Executive/Long-Range Planning Committee, in its sole discretion, determines that such person has contributed or can be expected to contribute to our profits or growth. With respect to Executive Officers, the Executive/ Long-Range Planning Committee will obtain approval from the Compensation Committee for any options granted to them.

We also have a stock incentive plan to provide equity incentive compensation to the Company's eligible independent directors. The plan was approved by the shareholders in 2021 and has 150,000 shares reserved. Under the 2021 plan, options may be granted to eligible independent directors at a price not less than the fair market value of the shares at the date of grant. Options granted to independent directors become vested as to 20% of the options per year and will be fully vested after five years. 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. Each independent director is eligible to participate in the 2021 plan if the Compensation Committee, in its sole discretion, determines that such person has contributed or can be expected to contribute to our profits or growth.

Option awards are generally granted with an exercise price equal to the market price of the Company's common stock at the date of grant. The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of our common stock. The expected term of the options granted shall not exceed ten years from the date of grant (the amount of time options granted are expected to be outstanding). The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The fair value of options granted was determined using the following weighted-average assumptions as of grant date:

	2023	2022
Risk free interest rate	4.15%	2.75%
Expected life (in years)	6.19	5.00
Expected stock price volatility	36.95%	35.30%
Dividend yield	4.08%	4.15%

The following table presents a summary of the activity under the 2010, 2020 and 2021 Stock Incentive Plans for the years ended December 31:

	2023		2022	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, January 1	254,412	$ 17.56	273,747	$ 17.50
Granted	133,250	13.43	5,000	17.10
Exercised	—	—	(11,085)	14.58
Forfeited	(129,469)	18.43	(13,250)	18,68
Outstanding, December 31	258,193	$ 14.93	254,412	$ 17.56
Exercisable at year end	9,316	$ 12.75	20,626	$ 17.76

The following table presents information pertaining to options outstanding at December 31, 2023.

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price of Options Outstanding	Intrinsic Value of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price of Options Exercisable	Intrinsic Value of Options Exercisable
$ 12.26	3,508	0.58	$ 12.26	$ 5,877	3,508	$ 12.26	$ 5,877
$ 13.05	7,260	1.33	$ 13.05	$ 6,428	5,808	$ 13.05	$ 5,143
$ 13.31	105,000	10.00	$ 13.31	$ 65,570	—	$ 13.31	$ —
$ 13.47	16,750	9.59	$ 13.47	$ 7,796	—	$ 13.47	$ —
$ 14.64	10,000	10.00	$ 14.64	$ —	—	$ 14.64	$ —
$ 15.21	65,500	6.33	$ 15.21	$ —	—	$ 15.21	$ —
$ 18.23	28,950	4.25	$ 18.23	$ —	—	$ 18.23	$ —
$ 19.82	7,225	6.33	$ 19.82	$ —	—	$ 19.82	$ —
$ 20.04	14,000	7.59	$ 20.04	$ —	—	$ 20.04	$ —
	258,193	7.79	$ 14.93	$ 85,671	9,316	$ 12.75	$ 11,020

The total intrinsic value of options exercised during the years ended December 31, 2023 and 2022 was $0 and $161,731, respectively. Shares issued upon exercise of stock options are obtained from the authorized and unissued pool of common stock. Shares surrendered as payment of the stock option exercise price are included in treasury stock.

We recognized compensation cost for the years ended December 31, 2023 and 2022 in the amount of $68,897 and $121,673, respectively, related to the granted options.

As of December 31, 2023, there was a total of $487,398 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 5.38 years.

15. EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

We established an Employee Stock Ownership Plan ("ESOP") effective January 1, 1989. 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.

The Company recognizes expense when the contribution is approved by the Board of Directors. The total expenses amounted to $600,000 and $540,000 during the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the plan owned 356,002 and 336,088 shares, respectively, of common stock of the Company.

A participant vests in the ESOP based upon the participant'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

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. 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). On January 26, 2017, the Board of Directors approved a restated plan. The Plan was submitted to the IRS for approval and a determination letter was issued November 17, 2017, stating that the plan satisfies the requirements of Code Section 4975(e)(7). On June 30, 2020, the IRS issued an opinion letter for a non-standardized pre-approved profit sharing/CODA/ESOP plan document. On May 25, 2023, the Board of Directors approved a restated plan utilizing this pre-approved document.

16. 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 $4.0 million and $3.6 million, to the Company during the years ended December 31, 2023 and 2022, respectively.

17. INCOME PER COMMON SHARE

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

	2023	2022
Net income	$ 5,493,616	$ 6,655,140
Weighted average shares outstanding	5,528,596	5,550,078
Effect of dilutive shares	97,543	94,620
Weighted average shares outstanding – diluted	5,626,139	5,644,698
Earnings per share – basic	$ 0.99	$ 1.20
Earnings per share – diluted	$ 0.98	$ 1.18

18. REGULATORY CAPITAL REQUIREMENTS

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

On July 2, 2013, the Federal Reserve Board approved the final rules implementing the Basel Committee on Banking Supervision's ("BCBS") capital guidelines for U.S. banks ("Basel III"). Following the actions by the Federal Reserve, the FDIC also approved regulatory capital requirements on July 9, 2013. The FDIC's rule is identical in substance to the final rules issued by the Federal Reserve Bank.

Basel III became effective on January 1, 2015 and its purpose is to improve the quality and increase the quantity of capital for all banking organizations. The rule was phased in over a four-year period, with full implementation occurring on January 1, 2019. The minimum requirements for the quantity and quality of capital were increased. The rule includes a new common equity Tier 1 capital (as defined in the regulation) to risk-weighted assets ratio of 4.50% and a common equity Tier 1 capital conservation buffer of 2.50% of risk-weighted assets. The rule also raises the minimum ratio of Tier 1 capital to risk-weighted assets from 4.00% to 6.00% and requires a minimum leverage ratio of 4.00%. In addition, the rule also implements strict eligibility criteria for regulatory capital instruments and improves the methodology for calculating risk-weighted assets to enhance risk sensitivity. On November 4, 2019, the federal banking agencies jointly issued a final rule on an optional, simplified measure of capital adequacy for qualifying community banking organizations called the community bank leverage ratio ("CBLR") framework effective on January 1, 2020. A qualifying community banking organization is defined as having less than $10 billion in total consolidated assets, a leverage ratio greater than 9%, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets. Additionally, the qualifying community banking institution must be a non-advanced approaches FDIC supervised institution. The final rule adopts Tier 1 capital and existing leverage ratio into the CBLR framework. The Bank adopted this rule as of September 30, 2020 and is no longer subject to other capital and leverage requirements. Under the CBLR framework, a qualifying community banking organization is deemed to have met the "well capitalized" ratio requirements and be in compliance with the generally applicable capital rule.

The following table presents the actual CBLR for the Bank and Company at:

	December 31, 2023	December 31, 2022
Bank	9.73%	9.03%
Company	9.64%	9.30%

We believe that the Company and the Bank meet all capital adequacy requirements to which they were subject at December 31, 2023 and 2022.

19. DISCLOSURES REGARDING FAIR VALUE OF FINANCIAL INSTRUMENTS

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 the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs, which are developed based on market data we have obtained from independent sources, are ones that market participants would use in pricing an asset or liability. Unobservable inputs, which are developed based on the best information available in the circumstances, reflect our estimate of assumptions that market participants would use in pricing an asset or liability.

The fair value hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The fair value hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1: valuation is based upon unadjusted quoted market prices for identical instruments traded in active markets.
- Level 2: valuation is based upon quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by market data.
- Level 3: valuation is derived from other valuation methodologies, including discounted cash flow models and similar techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in determining fair value.

Fair value estimates are made at a specific point of time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale our entire holdings of a particular financial instrument. Because no active market exists for a significant portion of our financial instruments, fair value estimates are based on judgement regarding future expected loss experience, current economic conditions, current interest rates and prepayment trends, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in any of these assumptions used in calculating fair value would also significantly affect the estimates. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates.

The following paragraphs describe the valuation methodologies used for assets recorded at fair value on a recurring basis:

Investment Securities Available for Sale

Investment securities are recorded at fair value on a recurring basis and are based upon quoted prices if available. If quoted prices are not available, fair value is 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 and municipal securities in less liquid markets.

Derivative Instruments

Derivative instruments include interest rate lock commitments and forward sale commitments. These instruments are valued based on the change in the value of the underlying loan between the commitment date and the end of the period. We classify these instruments as Level 3.

We had no embedded derivative instruments requiring separate accounting treatment. We had freestanding derivative instruments consisting of fixed rate conforming loan commitments with 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 the short-term nature of mortgage loans to be sold (derivative contract), our derivative instruments were immaterial to our consolidated financial statements as of December 31, 2023 and 2022.

The following table presents information about assets measured at fair value on a recurring basis as of December 31, 2023 and 2022.

	Balance as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	$ 153,081,516	$ —	$ —	$ 153,081,516
Government-Sponsored Enterprises	—	53,738,156	—	53,738,156
Municipal Securities	—	16,505,244	17,891,537	34,396,781
Total	$ 153,081,516	$ 70,243,400	$ 17,891,537	$ 241,216,453

	Balance as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	$ 168,187,315	$ —	$ —	$ 168,187,315
Government-Sponsored Enterprises	—	57,074,724	—	57,074,724
Municipal Securities	—	16,448,375	29,461,812	45,910,187
Total	$ 168,187,315	$ 73,523,099	$ 29,461,812	$ 271,172,226

There were no liabilities recorded at fair value on a recurring basis as of December 31, 2023 or 2022.

The following table reconciles the changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2023 and 2022.

	December 31, 2023	December 31, 2022
Beginning balance	$ 29,461,812	$ 24,484,047
Total realized/unrealized gains (losses)		
Included in earnings	—	—
Included in other comprehensive income	(10,684,275)	(3,714,235)
Purchases, issuances, and settlements net of maturities	(886,000)	8,692,000
Transfers in and/or out of Level 3	—	—
Ending balance	$ 17,891,537	$ 29,461,812

The following paragraphs describe the valuation methodologies used for assets recorded at fair value on a nonrecurring basis:

Individually Assessed Loans

Individually assessed loans are carried at the lower of recorded investment or fair value. 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 when the loan becomes nonperforming.

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.

In accordance with ASC 820, *Fair Value Measurement*, individually assessed loans, where an allowance is established based on the fair value of collateral, require classification in the fair value hierarchy. These individually assessed loans are classified as Level 3. Individually assessed loans measured using discounted future cash flows are not deemed to be measured at fair value.

Mortgage Loans to be Sold

Mortgage loans to be sold are carried at the lower of cost or market value. The fair values of mortgage loans to be sold are based on current market rates from investors within the secondary market for loans with similar characteristics. Carrying value approximates fair value. These loans are classified as Level 2.

Certain assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following tables present information about certain assets measured at fair value on a nonrecurring basis as of December 31, 2023 and 2022.

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Individually assessed loans	$ —	$ —	$ 1,358,296	$ 1,358,296
Mortgage loans to be sold	—	2,130,899	—	2,130,899
Total	$ —	$ 2,130,899	$ 1,358,296	$ 3,489,195

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Impaired loans	$ —	$ —	$ 1,452,170	$ 1,452,170
Mortgage loans to be sold	—	866,594	—	866,594
Total	$ —	$ 866,594	$ 1,452,170	$ 2,318,764

There were no liabilities measured at fair value on a nonrecurring basis as of December 31, 2023 or 2022.

The following table provides information describing the unobservable inputs used in Level 3 fair value measurements at December 31, 2023 and December 31, 2022.

	Inputs		
	Valuation Technique	**Unobservable Input**	**General Range of Inputs**
Individually Assessed Loans	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 for all of our assets and liabilities that are considered financial instruments, whether or not recognized on the balance sheet, for which it is practicable to estimate fair value.

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 paragraphs describe the methods and assumptions we use in estimating the fair values of financial instruments:

a. Cash and due from banks, interest-bearing deposits at the Federal Reserve Bank

The carrying value approximates fair value. All instruments mature within 90 days and do not present unanticipated credit concerns.

b. Investment securities available for sale

Investment securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions.

c. Loans

The fair value of the Company's loan portfolio includes a credit risk assumption in the determination of the fair value of its loans. This credit risk

assumption is intended to approximate the fair value that a market participant would realize in a hypothetical orderly transaction. The Company's loan portfolio is initially fair valued using a segmented approach. The Company divides its loan portfolio into the following categories: variable rate loans, individually assessed loans and all other loans. The results are then adjusted to account for credit risk as described above. However, under ASC 326, the Company believes a further credit risk discount must be applied through the use of a discounted cash flow model to compensate for illiquidity risk, based on certain assumptions included within the discounted cash flow model, primarily the use of discount rates that better capture inherent credit risk over the lifetime of a loan. Additionally, in accordance with ASU 2016-01, *Recognition and Measurement of Financial Assets and Liabilities*, this consideration of enhanced credit risk provides an estimated exit price for the Company's loan portfolio.

For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values approximate carrying values. Fair values for individually assessed loans are estimated based on the fair value of the underlying collateral. Individually assessed loans measured using discounted future cash flows are not deemed to be measured at 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, using 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. Accrued interest receivable and payable

Since these financial instruments will typically be received or paid within three months, the carrying amounts of such instruments are deemed a reasonable estimate of fair value.

f. Loan commitments

Estimates of the fair value of these off-balance sheet items are not made because of the short-term nature of these arrangements and the credit standing on the counterparties.

e. Short-term borrowings

Due to the short-term nature of the borrowings, the carrying amount of such instruments are deemed to be a reasonable estimate of fair value.

The following tables present the carrying amount, fair value, and placement in the fair value hierarchy of our financial instruments as of December 31, 2023 and 2022, respectively.

	Fair Value Measurements at December 31, 2023				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial Assets:					
Cash and due from banks	$ 14,665,148	$ 14,665,148	$ 14,665,148	$ —	$ —
Interest-bearing deposits at the Federal Reserve	7,250,912	7,250,912	7,250,912	—	—
Investment securities available for sale	241,216,453	241,216,453	153,081,516	70,243,400	17,891,537
Mortgage loans to be sold	2,130,899	2,130,899	—	2,130,899	—
Loans, net	343,267,832	316,792,809	—	—	316,792,809
Accrued interest receivable	2,380,972	2,380,972	—	2,380,972	—
Financial Liabilities:					
Demand deposits	500,909,063	500,909,063	—	500,909,063	—
Time deposits	24,793,475	29,580,987	—	29,580,987	—
Accrued interest payable	201,776	201,776	—	201,776	—
Short-term borrowings	46,000,000	46,000,000	—	46,000,000	—

	Fair Value Measurements at December 31, 2022				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial Assets:					
Cash and due from banks	$ 14,772,564	$ 14,772,564	$ 14,772,564	$ —	$ —
Interest-bearing deposits at the Federal Reserve	12,999,135	12,999,135	12,999,135	—	—
Investment securities available for sale	271,172,226	271,172,226	168,187,315	73,523,099	29,461,812
Mortgage loans to be sold	866,594	866,594	—	866,594	—
Loans, net	326,690,561	304,249,626	—	—	304,249,626
Accrued interest receivable	2,145,522	2,145,522	—	2,145,522	
Financial Liabilities:					
Demand deposits	582,100,650	582,100,650	—	582,100,650	—
Time deposits	16,569,608	16,933,818	—	16,933,818	—
Accrued interest payable	41,007	41,007	—	41,007	—

20. 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, 2023 and 2022, and the related condensed statements of income and cash flows for the years ended December 31, 2023 and 2022, are as follows:

Condensed Statements of Financial Condition

	December 31,	
	2023	2022
Assets		
Cash	$ 1,040,661	$ 1,077,082
Investment in wholly-owned bank subsidiary	46,561,551	38,339,882
Other assets	408,422	338,322
Total assets	$ 48,010,634	$ 39,755,286
Liabilities and shareholders' equity		
Other liabilities	$ 929,772	$ 943,899
Shareholders' equity	47,080,862	38,811,387
Total liabilities and shareholders' equity	$ 48,010,634	$ 39,755,286

Condensed Statements of Income

	For the Year Ended December 31, 2023	2022
Interest income	$ 1,221	$ 287
Net operating expenses	(240,231)	(267,243)
Dividends received from subsidiary	3,950,000	3,640,000
Distribution from subsidiary for repurchase of common shares	1,000,000	—
Equity in undistributed earnings of subsidiary	782,626	3,282,096
Net income	$ 5,493,616	$ 6,655,140

Condensed Statements of Cash Flows

	For the Year Ended December 31, 2023	2022
Cash flows from operating activities:		
Net income	$ 5,493,616	$ 6,655,140
Stock-based compensation expense	68,897	121,673
Equity in undistributed earnings of subsidiary	(782,626)	(3,282,096)
Increase in other assets	(70,100)	(39,324)
Net cash provided by operating activities	4,709,787	3,455,393
Cash flows from financing activities:		
Dividends paid	(3,763,578)	(3,773,396)
Repurchase of common shares	(982,630)	—
Stock options exercised	—	161,731
Net cash used in financing activities	(4,746,208)	(3,611,665)
Net decrease in cash	(36,421)	(156,272)
Cash at the beginning of the year	1,077,082	1,233,354
Cash at the end of the year	$ 1,040,661	$ 1,077,082
Supplemental disclosure for non-cash investing and financing activity		
Change in dividends payable	$ (14,127)	$ 3,536

CORPORATE INFORMATION

BOARD OF DIRECTORS

* Chairman
** Lead Director

Hugh C. Lane, Jr.*
Chairman of the Board
Bank of South Carolina Corporation

Susanne K. Boyd
Executive Vice President & COO
Bank of South Carolina Corporation

David W. Bunch
Chairman & CEO
Hughes Motors

Graham M. Eubank, Jr.
President & CEO
Palmetto Ford

Elizabeth M. Hagood
Former Executive Director
Lowcountry Land Trust

Fleetwood S. Hassell
Retired President & CEO
Bank of South Carolina Corporation

Glen B. Haynes, DVM
Retired
Westbury Veterinary Clinic

William L. Hiott, Jr.
Retired CFO
Bank of South Carolina Corporation

Richard W. Hutson, Jr.
Manager
William M. Means Co. Insurance

Charles G. Lane
Managing Member
Holcombe, Fair & Lane

Alan I. Nussbaum, MD**
Retired
Rheumatology Associates, P.A.

Josette R. E. Pelzer, Ph.D., CPA
Assistant Professor of Accounting
College of Charleston

Karen J. Phillips
President
Atlantic Coast Asset Management

Malcolm M. Rhodes, MD
Retired
Parkwood Pediatric Group

Douglas H. Sass
Executive Vice President & Senior Lender
Bank of South Carolina Corporation

Thaddeus T. Shuler
President & CEO
Southern Lumber and Millwork

Sheryl G. Sharry
Retired CFO
Bank of South Carolina Corporation

Eugene H. Walpole, IV
President & CEO
Bank of South Carolina Corporation

OFFICERS

Hugh C. Lane, Jr.
Chairman

Eugene H. Walpole, IV
President & CEO

Douglas H. Sass
Executive Vice President & Senior Lender

Susanne K. Boyd
Executive Vice President & COO

Richard W. Hutson, Jr.
Secretary

Costa V. Thomas
Assistant Secretary

CORPORATE HEADQUARTERS
256 Meeting Street
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Charleston, SC 29401
843-724-1500

TRANSFER AGENT
Computershare Investor Services
150 Royall Street
Canton, MA 02021
877-373-6374

STOCK INFORMATION
The common stock of Bank of South Carolina Corporation is traded on the OTCQX® Best Market under the symbol "BKSC."

INDEPENDENT AUDITORS
Elliott Davis, LLC
355 South Main Street
Greenville, SC 29601

ANNUAL MEETING
April 9, 2024
2:00 PM EST
9403 Highway 78
North Charleston, SC 29456

FORWARD-LOOKING STATEMENTS
Certain statements herein may constitute forward-looking statements, which involve a number of risks and uncertainties. We caution readers that any forward-looking statements are based largely on our expectations and are subject to a number of known and unknown risks and uncertainties that are subject to change based on factors which are, in many instances, beyond our control. Additional information regarding these risks and uncertainties to which our business and future financial performance are subject is contained in our most recent Annual Report. Any forward-looking statements presented herein are made only as of the date of this Annual Report, and we do not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, new information, the occurrence of unanticipated events, or otherwise, except as required by law. All forward-looking statements, express or implied, included in this Annual Report are qualified in their entirety by this cautionary statement.

The Bank of South Carolina

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