

# ANNUAL REPORT



PA  
Bankers  
ASSOCIATION

Patricia A. Husic  
Woman of Influence  
Award Winner

Elaine Woodland  
First Keystone  
Community Bank



**Congratulations  
H.Y.P.E. Award Winners!**

Join us in congratulating our  
team members for their  
Highlighting Young Professionals' Excellence  
awards presented by PA Bankers!

Jessica Thorne - Community Ambassador  
Laurel Fidrick - Team Player  
Levi Diltz - Change Agent



# 2020

**1K** FIRST  
KEYSTONE  
CORPORATION  
firstkeystonecorp.fkc.bank

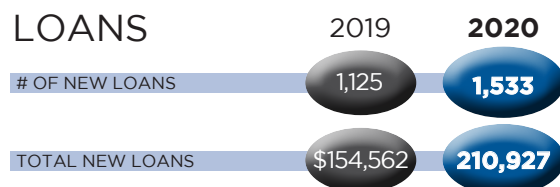
# FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share data)

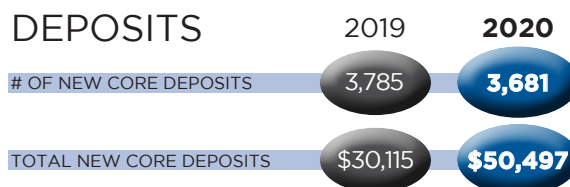
	2020	2019	2018	2017	2016
<b>SUMMARY OF OPERATIONS</b>					
Interest income	\$ 39,567	\$ 38,527	\$ 35,573	\$ 32,268	\$ 31,643
Interest expense	6,360	10,243	8,620	6,548	5,282
Net interest income	33,207	28,284	26,953	25,720	26,361
Provision for loan losses	1,200	450	200	267	2,083
Net income	11,837	10,227	9,211	8,648	9,472
<b>PER COMMON SHARE DATA</b>					
Net income	\$ 2.03	\$ 1.77	\$ 1.60	\$ 1.52	\$ 1.68
Dividends	1.08	1.08	1.08	1.08	1.08
<b>BALANCE SHEET DATA</b>					
Total assets	\$1,179,047	\$1,007,226	\$1,012,000	\$990,121	\$984,283
Total securities	368,357	279,861	317,614	350,218	379,641
Net loans	712,677	640,727	599,647	551,910	515,025
Total deposits	937,488	761,628	671,553	778,146	725,982
Total stockholders' equity	144,242	128,752	116,756	116,719	109,685
<b>PERFORMANCE RATIOS</b>					
Return on average assets	1.09%	1.02%	0.92%	0.86%	0.96%
Return on average equity	8.61%	8.17%	8.05%	7.54%	8.23%
Dividend payout	53.29%	61.08%	67.26%	71.05%	64.30%
Average equity to average assets	12.72%	12.42%	11.39%	11.45%	11.68%

Dollars in thousands

## LOANS



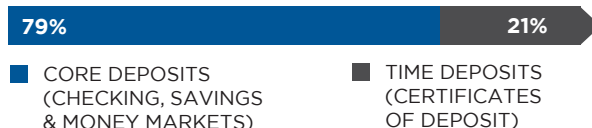
## DEPOSITS



## 2020 LOAN PORTFOLIO BREAKDOWN



## 2020 DEPOSIT BREAKDOWN

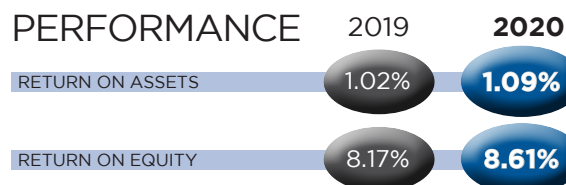


## NET INCOME

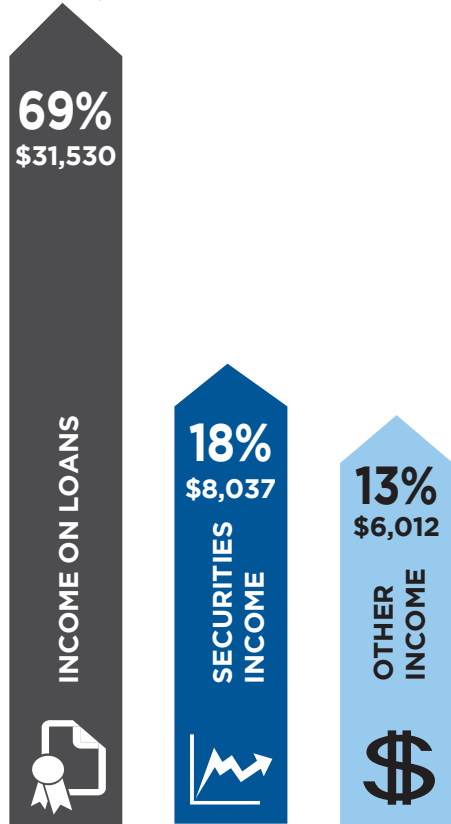
Per Share  
2019 2020



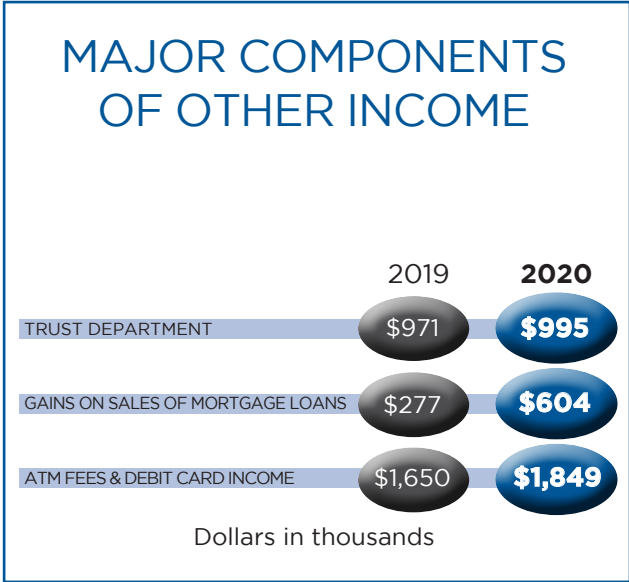
## PERFORMANCE



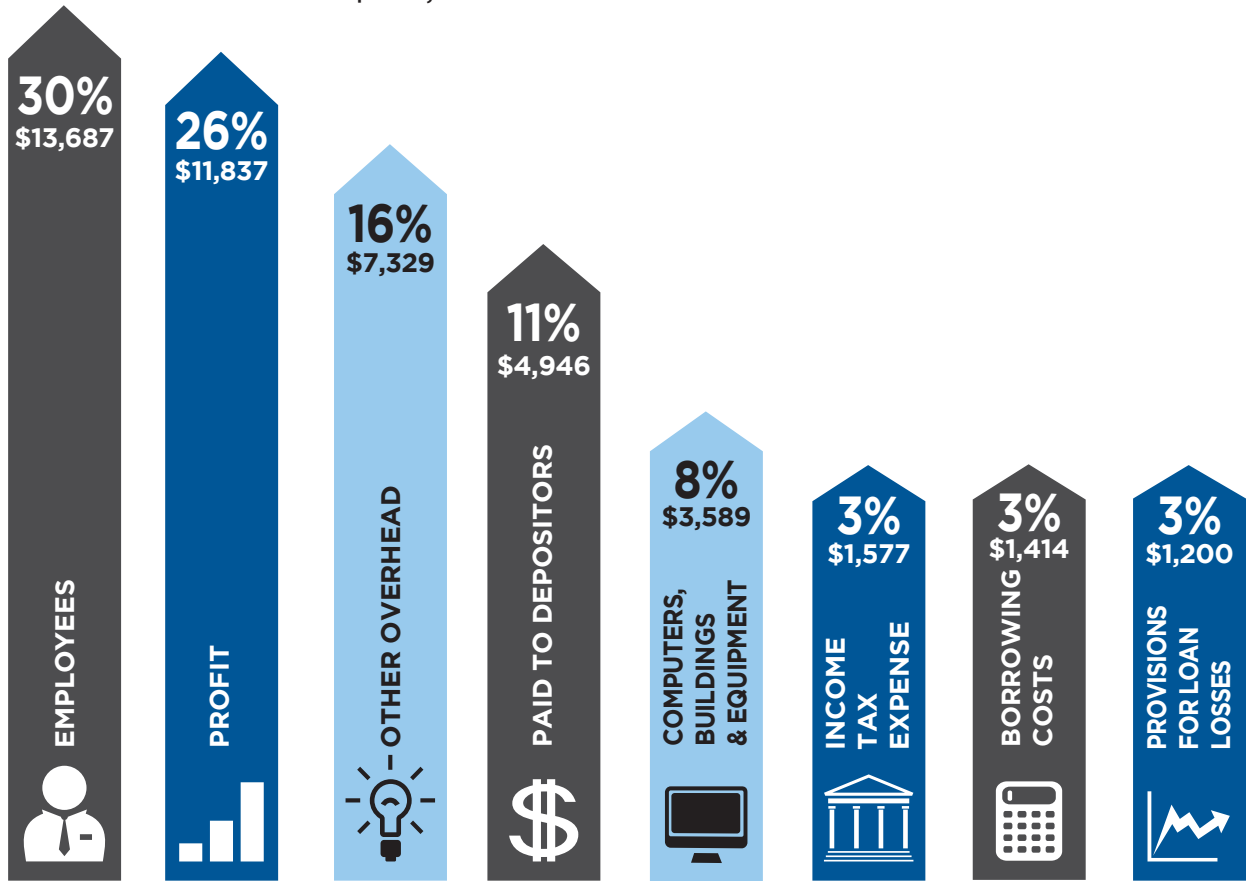
How we generated  
\$45,579 in revenue:



## INCOME STATEMENT IN GRAPHIC FORM



How we used our \$45,579 in income:



Dollars in thousands

## TO OUR SHAREHOLDERS

### **Making Connections and Corporate Culture**

At First Keystone we are committed to connecting with each other and building a culture that will benefit our employees, customers, communities and shareholders. As we focused on meeting the challenges of increasing revenue from core operating functions and reducing expenses, all while improving our day-to-day interactions and increasing productivity, COVID-19 presented its own unique challenges in 2020. Thanks to the dedication of our team of employees, we successfully executed our Business Continuity and Pandemic Plans. We continue to provide quality customer service and promote the benefits of banking with First Keystone Community Bank while being mindful that employee and customer safety are our number one concerns. I am happy to report the financial progress we made in 2020, and look forward to seeing you in 2021 and beyond.

### **Financial Highlights:**

For the fiscal year ended December 31, 2020, First Keystone Corporation reported earnings of \$11,837,000, as compared to \$10,227,000 for 2019, an increase of \$1,610,000 or 15.7%. Net income per share increased to \$2.03 in 2020 as compared to \$1.77 in 2019. Annual dividends per share remained consistent at \$1.08. The increase in net income in 2020 was primarily the result of increased loan growth, \$610,000 in SBA loan fees, and lower short-term rates paid on liabilities.

Interest income for 2020 was \$39,567,000, an increase of \$1,040,000 or 2.7% as compared to \$38,527,000 in 2019. Interest income was higher in 2020 due to positive loan portfolio growth, primarily in commercial loans. At December 31, 2020 total loans were \$720,610,000, an increase of \$72,878,000 or 11.3%. Loan growth was centered in commercial real estate loans, while residential mortgage loans declined slightly. The securities portfolio increased in 2020 to \$366,711,000 with increases in asset-backed and private mortgage-backed securities, taxable and tax-exempt municipals, and subordinated debt investments. We will continue our emphasis on loan growth in 2021 as a primary driver of net interest income.

Decreased interest rates and less reliance on borrowings due to increased deposit balances resulted in lower interest expense for the Corporation in 2020. Total deposits increased by \$175,860,000 or 23.1% in 2020 as compared to 2019. Interest bearing deposits increased by \$112,009,000 or 17.9%. Throughout 2020, the Federal Reserve decreased the federal-funds rate by 1.5%, resulting in a target range of 0.00% - 0.25% at year-end. The Corporation is actively monitoring and restructuring its portfolios, which includes scenarios for a rates-down environment, and continued strategies for core deposit growth.

Non-interest income, excluding net securities gains, increased by \$52,000 or 0.9% for the year ended December 31, 2020 as compared to the same period in 2019. Service charges and fees on deposits decreased by \$531,000, mainly due to fewer overdraft charges and several deposit related fees waived during the COVID-19 pandemic. This was offset by an increase in ATM and debit card income of \$199,000 in 2020. Gains on sales of mortgage loans provided income of \$604,000 in 2020 as compared to \$277,000 in 2019, an increase

of \$327,000. Non-interest expense amounted to \$24,605,000, an increase of \$1,183,000, or 5.1% in 2020. Expenses associated with employees (salaries and employee benefits) continue to be the largest non-interest expenditure. The increase in 2020 was mainly due to an increase in commissions and referral fees associated with loan growth and retail non-deposit activity, as well as a 30.0% increase in medical insurances for employees.

Income tax expense was \$1,577,000 for 2020 as compared to \$1,114,000 for 2019, making the effective tax rate 11.8% in 2020 as compared to 9.8% in 2019. The increase in the effective tax rate for 2020 was due to a net decrease in tax-exempt investments in and loans to state and local units of government, plus higher overall operating income. To maintain our effective tax rate in 2021, the Corporation holds a portfolio of tax-exempt bonds in the securities portfolio, originates tax-free loans, and receives tax credits from investments in low-income housing partnerships.

Total assets increased to \$1,179,047,000 in 2020 from \$1,007,226,000 in 2019. As noted above, total loans increased 11.3% with much of the growth in commercial real estate loans. In addition, the Corporation issued \$25,000,000 in subordinated debt in the fourth quarter of 2020 to enable further leveraged growth. Stockholders' Equity at year-end 2020 was \$144,242,000. The Bank's financial condition remains strong as evidenced by a total risk-based capital ratio of 17.05% and a tier 1 leverage capital ratio of 10.81% at year-end 2020. These key ratios are well above that which federal regulators require for a financial institution to be "well capitalized". Additional details and related financial information may be found in the Management's Discussion and Analysis and Financial Statements and notes sections of the 2020 Form 10-K.

In conclusion, the solid year we experienced in 2020 makes me optimistic that we can continue that trend in 2021. We are well positioned for continued financial performance in future years as an independent, community bank and financial services provider. We thank and recognize our employees, officers and Board of Directors for their outstanding efforts. We also thank you, our shareholders and customers, for your continued support and confidence.



**Elaine A. Woodland**

President and Chief Executive Officer



# KEYSTONE ADVANTAGE MESSAGE

## First Keystone Community Bank

In a year when just about everything was turned upside down and no one was really sure what would happen next, the dedicated bankers at First Keystone Community Bank did what they do best - made sure their customers' needs were being met, no matter what challenge presented itself. At a time when most events were canceled and churches, schools and businesses were forced to close their doors, First Keystone quickly made the changes needed to stay up and running, so we could continue to service our customers in a professional and timely manner.

Flexibility became a key word throughout the bank. Several employees performed their daily duties remotely from home environments, while others were redirected to different branch and back office locations so that social distancing and business continuity protocols could remain in place. When our lobbies were closed for a short period, some staff members took on new roles to help where the need was greatest. To obtain signatures or complete required paperwork, employees met with clients in bank parking lots and customers were accommodated with after-hours meetings, if necessary. Staffing at all drive-thru locations was increased to meet the heavy demands of this unique situation. And just like many of our business partners, social distancing signs and plastic barriers became the norm for everyone's protection. While many of the workplace variations are still in place and working well, our staff continues to make every effort to remain as safe as possible. There is a lot of hand washing, mask wearing, and sanitizing going on during every hour of every day.

As soon as we were able, our lobbies were cautiously reopened, and with all the changes we made, no one missed a beat. However, FKCB employees wanted to do more to help the communities where we live and work and reach out to help those that were hit especially hard with job loss, illness or financial setbacks. For example, First Keystone has always dedicated one Friday each month as "Denim Day," a day when employees make a donation to a specified charity, each can then wear jeans. It was decided to change the frequency to every Friday and raise as much money as possible, with the goal of including several significant donations to our regional food banks and various non-profit agencies. At a time when the need was so great, First Keystone Community Bank employees donated \$10,700 toward these goals.

Many of our employees also stepped outside of their normal routines to lend a hand when the Paycheck Protection Program (PPP) loans became available from the Small Business Administration. To help our business customers weather this storm, we needed all hands on-deck to process loan applications and the related documents in a timely manner. First Keystone employees rallied together

and processed 492 loans in 2020, with approximately \$32 million dollars being put back into communities to keep businesses running and ensure their employees were paid. There are still many more continuing to be processed for 2021.

Putting customers' needs first is at the top of First Keystone Community Bank's priority list. We want our customers to be safe and secure in the bank, as well as with the products and services they use to conduct their banking transactions. With this in mind, it's the perfect time for our customers to evaluate their personal financial situation. Has anything changed that would impact your finances? This includes a career change, job loss, recent marriage or divorce, welcoming a new family member, buying a house, moving to a new address, or perhaps you've recently retired. Each of these life events can alter your overall economic picture and create the need for you to rethink your financial path. But even if none of these changes have happened for you, it's still a good time to sit down and review your banking account and services, such as checking and savings accounts, online banking, retirement plans and more to ensure they continue to serve your lifestyle. When you're ready, we're here to help you by discussing your current situation and providing the assistance that will keep you on the right track.

Whether acting as your local experienced banker or standing proudly as your neighbor, from the front-line tellers to the Board of Directors, everyone at First Keystone has a common goal to help you succeed. In the best of times or the worst of times, a vital part of the day-to-day operations at First Keystone Community Bank is partnering with our customers and the communities we serve. We look forward to seeing you in the future!

PUTTING CUSTOMERS' NEEDS FIRST IS AT THE TOP OF  
FIRST KEYSTONE COMMUNITY BANK'S PRIORITY LIST.



# FIRST KEYSTONE CORPORATION BOARD OF DIRECTORS



**ROBERT A. BULL**  
Chairman  
Attorney -  
Bull & Bull LLP



**JOHN E. ARNDT**  
Vice Chairman  
Owner -  
Arndt Insurance Agency



**DAVID R. SARACINO**  
Secretary  
Retired Vice President & CFO  
First Keystone Community Bank



**D. MATTHEW BOWER**  
President -  
Don E. Bower, Inc.



**ROBERT E. BULL**  
Retired Attorney -  
Bull & Bull LLP



**MICHAEL L. JEZEWSKI**  
President/Owner -  
Delta Electrical  
Systems, Inc.



**NANCY J. MARR**  
Owner/President -  
Marr Development  
Companies



**WILLIAM E. RINEHART**  
President/Owner -  
Gray Chrysler Dodge Jeep Ram  
and Gray Chevrolet



**ELAINE A. WOODLAND**  
President & Chief Executive  
Officer of First Keystone  
Community Bank



**JEROME F. FABIAN**  
Director Emeritus  
Retired Owner/President  
Tile Distributors of America, Inc.

**JOHN G. GERLACH**  
Director Emeritus  
Retired President  
First Keystone Community Bank,  
Pocono Division

**DR. JOSEPH B. CONAHAN, JR.**  
Director Emeritus  
Ophthalmologist

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## OFFICERS

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**ROBERT A. BULL**  
Chairman

**DIANE C.A. ROSLER**  
Chief Financial Officer/Treasurer

**ELAINE A. WOODLAND**  
President &  
Chief Executive Officer

**DAVID R. SARACINO**  
Secretary

**JOHN E. ARNDT**  
Vice Chairman

**CHERYL L. WYNINGS**  
Assistant Secretary



# FIRST KEYSTONE COMMUNITY BANK OFFICERS\*

**ROBERT A. BULL**  
Chairman of the Board

**JOHN E. ARNDT**  
Vice Chairman

**DAVID R. SARACINO**  
Secretary

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## EXECUTIVE OFFICERS

**ELAINE A. WOODLAND**  
President  
Chief Executive Officer

**JONATHAN LITTLEWOOD**  
Vice President  
Chief Lending Officer

**MARK J. MCDONALD**  
Senior Vice President  
Chief Credit Officer

**DIANE C.A. ROSLER**  
Senior Vice President  
Chief Financial Officer & Cashier

**JEFFREY T. WOZNIAK**  
Senior Vice President  
Senior IT Manager & Information Security Officer

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## OFFICERS

### VICE PRESIDENT

**JODI L. ALLEY**  
*Loan Operations Manager*  
**STACIA L. ARNAUD**  
*Commercial Services Officer*  
**ANTHONY P. CARTIGLIA**  
*Commercial Services Officer*  
**JUNE GEORGE**  
*Branch Administrator*  
**EDGAR A. GOWER, JR.**  
*Commercial Services Officer*  
**BRENDA L. GRASLEY**  
*Consumer Loan Manager*  
**TINA M. GRAY**  
*Regional Branch Administrator*

**LEE A. HESS**  
*Loan Review Officer & Security Officer*  
**JASON P. HOLLOWAY**  
*Commercial Services Officer*  
**REBECCA A. HOOPER**  
*Senior Trust Officer*  
**DONNA KEEFER**  
*Training/Systems Support Manager*  
**BRIAN M. KLINEFELTER**  
*Credit Department Manager*  
**KEVIN KRIEGER**  
*Compliance Officer & CRA Officer*  
**MARISOL LOPEZ**  
*Regional Branch Administrator*

**LINDA M. MESHINSKI**  
*Regional Branch Administrator*  
**EUGENE W. MORRISON**  
*Commercial Services Officer*  
**MICHAEL REIS**  
*Commercial Services Officer*  
**MICHAEL C. SANTIAGO**  
*Commercial Services Officer*  
**FRANCES I. SEWARD**  
*Regional Branch Administrator*  
**LEIGHTON B. WALSH**  
*Mortgage Services Manager*  
**CHRISTOPHER ZLOBIK**  
*Deposit Operations Officer*

### ASSISTANT VICE PRESIDENT

**TIFFANY BIENKOWSKI**  
*Credit Analyst II*  
**SANDRA L. COLE**  
*Community Office Manager*  
**JOHN DOUGHERTY**  
*Community Office Manager*  
**LAUREN DUANE**  
*Business Deposit Specialist*  
**JILLIAN GUENTHER**  
*Fraud Manager & BSA Officer*  
**KIMBERLY A. HELLER**  
*Human Resource Manager*  
**AMANDA JARSKI**  
*Credit Analyst II*

**KATHLEEN M. JARSKI**  
*Community Office Manager*  
**RACHEL JENNINGS**  
*Post-Closing Document Specialist*  
**STEVEN M. KOTCH**  
*Loan Workout Officer*  
**KRISTI A. MCCLINTOCK**  
*Commercial Loan Document Specialist*  
**THOMAS MCGRATH**  
*Commercial Services Officer*  
**LAURIE NUDO**  
*Community Office Manager*  
**MARY E. PASCUCCI**  
*HR and Training Specialist*

**KIMBERLY S. SHINER**  
*Community Office Manager*  
**SHERRI A. SITLER**  
*Deposit Review Officer*  
**NATALIE J. STACKHOUSE**  
*Accounting Manager*  
**KIMBERLY A. VOLKEL**  
*Community Office Manager*  
**DAVID WARHO**  
*Technology Systems Engineer*  
**CHERYL L. WYNINGS**  
*Executive Administrative Assistant*

### ASSISTANT CASHIER

**SHANE DAVIS**  
*Accountant I & Systems Administrator*  
**STACY GORDNER**  
*Accounting Reporting Analyst*  
**HERBERT HARMON, JR.**  
*Facilities Manager*  
**LILIANA HENRICKSON**  
*Community Office Manager*

**MICHELLE E. KOZAK**  
*Marketing Manager*  
**MARTIN B. LEANDRI**  
*Financial Consultant*  
**ANGELA MACKERT**  
*Community Office Manager*  
**ASHLEY MILLOWAY**  
*Mortgage Loan Consultant*

**KIM MURREN**  
*Keystone Banker III*  
**BONNIE NEVEL**  
*Deposit Processing Supervisor*  
**TERRI ROMANOWSKI**  
*Assistant Community Office Manager*  
**CINDY THORNE**  
*Trust Officer*

### OFFICER

**MEGAN BOONE**  
*Electronic Processing Coordinator*  
**NIKKI DIETTERICK**  
*Keystone Banker III*  
**LEVI DILTZ**  
*Network Analyst*  
**YOLANDA FRANCIS**  
*Community Office Manager*

**MELANIE GOLOMB**  
*Credit Analyst I*  
**ALEXIS KISHBAUGH**  
*Computer Applications Analyst*  
**CINDY LAIDACKER**  
*HR and Training Specialist*  
**CHRISTOPHER MATTHEWS**  
*Credit Analyst II*

**TINA ROTH**  
*IRA/HSA Specialist*  
**CONNER WELCH**  
*Credit Analyst II*

\*Officers as of December 31, 2020

# CORPORATE INFORMATION

## THE CORPORATION

First Keystone Corporation is a bank holding company incorporated under the Pennsylvania Business Corporation Laws. Its assets consist primarily of the assets of its wholly-owned subsidiary, First Keystone Community Bank.

First Keystone Community Bank serves Columbia, Montour, Luzerne, Monroe and Northampton Counties. The Bank engages in general banking business and also provides fiduciary services.

## CORPORATE HEADQUARTERS

First Keystone Corporation  
111 West Front Street  
Berwick, PA 18603  
Telephone: 570-752-3671  
Fax: 570-752-4022

## NOTICE OF ANNUAL MEETING

The 2021 Annual Meeting of Shareholders will be held at 10:00 a.m., Eastern Daylight Time, on Thursday, May 6, 2021 by virtual meeting by visiting:

[www.fkyscorp.com/annualmeeting](http://www.fkyscorp.com/annualmeeting)

## ANNUAL REPORT ON FORM 10-K

The Annual Report on Form 10-K as filed with the Securities and Exchange Commission may be obtained, without charge, by contacting:

Cheryl Wynings  
Investor Relations  
P.O. Box 289  
Berwick, PA 18603  
Telephone: 1-888-759-2266, extension 1175  
Locally: 570-752-3671, extension 1175

## TRANSFER AGENT AND REGISTRAR

To change or transfer registration of your stock, report a lost certificate, or other related inquiries, please contact our transfer agent at:

American Stock Transfer & Trust Company  
6201 15th Avenue  
Brooklyn, NY 11219  
1-800-937-5449  
[www.astfinancial.com](http://www.astfinancial.com)

## DIRECT DEPOSIT

Shareholders may have their cash dividends deposited directly into the account of their choice at any banking institution, with no charge. Additional information and enrollment materials for direct deposit can be obtained by calling 1-800-937-5449.

## DIVIDEND REINVESTMENT

The Plan, open to residents of Pennsylvania, provides the opportunity to have dividends automatically reinvested into First Keystone Corporation stock. Participants in the Plan may also elect to make cash contributions to purchase additional shares of common stock. For information regarding the Plan, contact the Plan Administrator at:

AST  
Plan Administration Department  
Wall Street Station  
P.O.Box 922  
New York, NY 10269-0560  
1-800-937-5449  
[help@astfinancial.com](mailto:help@astfinancial.com)

## INVESTOR INFORMATION

Information regarding First Keystone Corporation is available online at [firstkeystonecorp.fkc.bank](http://firstkeystonecorp.fkc.bank). The website also includes additional information of interest to shareholders such as: historical stock prices, dividend declarations, press releases and governance documents.

Requests for information or assistance regarding the corporation should be directed to Shareholder Relations at

1-888-759-2266, extension 1175  
Locally: 570-752-3671, extension 1175

## STOCK LISTING

First Keystone Corporation common stock is traded on OTC Pink under the symbol "FKYS".

## STOCK PURCHASE INQUIRIES

The following brokerage firms make a market in First Keystone Corporation common stock:

RBC Dain Rauscher, 800-223-4207  
Janney Montgomery Scott LLC, 800-526-6397  
Stifel Nicolaus & Co. Inc., 800-679-5446  
Boenning & Scattergood, Inc., 800-883-1212

## INDEPENDENT PUBLIC ACCOUNTANTS

Baker Tilly US, LLP  
99 Wood Avenue South, Suite 801  
Iselin, NJ 08830-2734  
Telephone: 848-467-3909

# OFFICE LOCATIONS



## MAIN OFFICE

111 West Front Street  
Berwick, PA 18603  
570-752-3671

## NESCOPECK OFFICE

437 West Third Street  
Nescopeck, PA 18635  
570-759-2767

## SALEM TOWNSHIP OFFICE

400 Fowler Avenue  
Berwick, PA 18603  
570-759-2628

## FREAS AVENUE OFFICE

701 Freas Avenue  
Berwick, PA 18603  
570-752-1244

## SCOTT TOWNSHIP OFFICE

2301 Columbia Boulevard  
Bloomsburg, PA 17815  
570-784-0354

## MIFFLINVILLE OFFICE

133 West Third Street  
Mifflinville, PA 18631  
570-752-5750

## HANOVER TOWNSHIP OFFICE

1540 Sans Souci Highway  
Hanover Township, PA 18706  
570-825-7352

## DANVILLE OFFICE

1049 Bloom Road  
Danville, PA 17821  
570-275-8000

## BRIAR CREEK OFFICE

50 Briar Creek Plaza  
Berwick, PA 18603  
570-802-0541

## KINGSTON OFFICE

299 Wyoming Avenue  
Kingston, PA 18704  
570-718-1110

## STROUDSBURG OFFICE

559 Main Street  
Stroudsburg, PA 18360  
570-424-9700

## MOUNTAINHOME OFFICE

1154 Route 390  
Cresco, PA 18326  
570-595-9700

## BRODHEADSVILLE OFFICE

2022 Route 209  
Brodheads ville, PA 18322  
570-402-2008

## SWIFTWATER OFFICE

2070 Route 611  
Swiftwater, PA 18370  
570-839-7880

## MOUNTAIN TOP OFFICE

18 North Mountain Boulevard  
Mountain Top, PA 18707  
570-715-0720

## PLYMOUTH OFFICE

463 West Main Street  
Plymouth, PA 18651  
570-719-1400

## DALLAS OFFICE

2325 Memorial Highway  
Dallas, PA 18612  
570-674-1030

## SHICKSHINNY OFFICE

107 South Main Street  
Shickshinny, PA 18655  
570-542-6060

## LOAN PROCESSING OFFICE

559 Main Street, Suite 114  
Bethlehem, PA 18018  
610-419-1412

888-759-2266 | [www.fkc.bank](http://www.fkc.bank)



Yesterday's Traditions. Tomorrow's Vision.

888-759-2266    [www.fkc.bank](http://www.fkc.bank)

**Front Cover Photos (Left to Right):**

Elaine Woodland, President and CEO, was awarded the PA Bankers Association's Patricia A. Husic Woman of Influence Award, March 2020; Salem Branch staff participate in the Salem Township Trunk-or-Treat, October 2020; Mountainhome branch staff present employee generated donation funds to the Mountainhome United Methodist Church Food Bank, October 2020; Mountain Top branch staff showcase the FKCB logoed face masks that were distributed to all employees and available for customers; Jessica Thorne, Accountant I, Laurel Fidrck, IT Specialist, and Levi Diltz, Network Analyst Officer, received PA Bankers Association's Highlighting Young Professionals' Excellence (H.Y.P.E.) awards, October 2020; the FKCB Main Branch in Berwick illuminated in blue lights for the #LightItBlue campaign to honor essential workers during the pandemic, April 2020.

