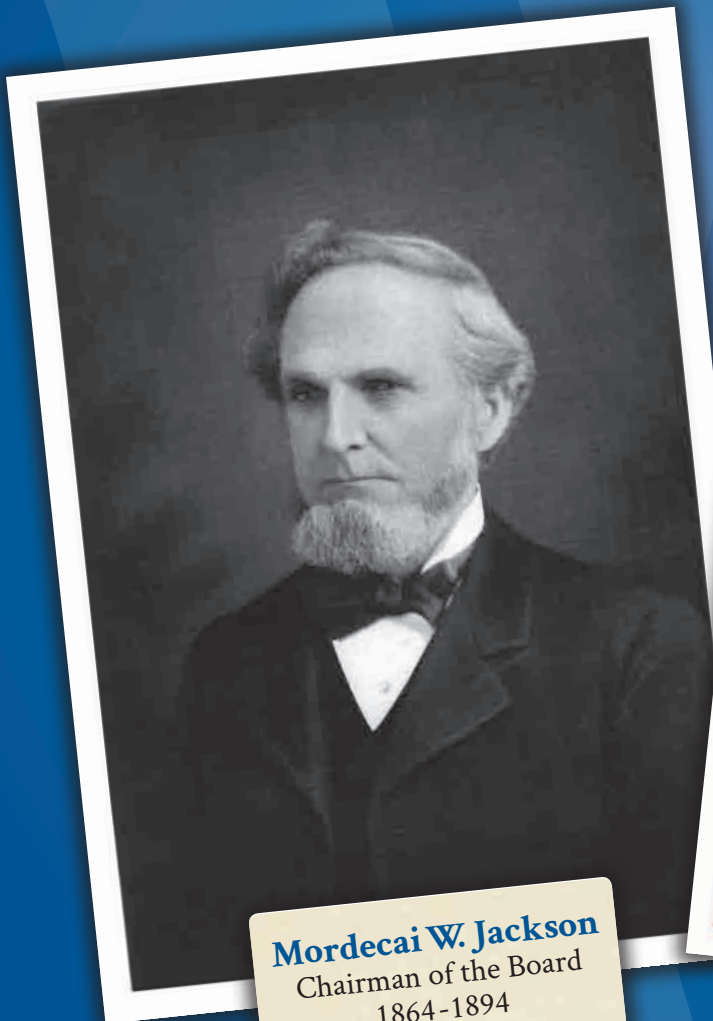


Yesterday's Traditions Tomorrow's Vision



Mordecai W. Jackson
Chairman of the Board
1864-1894



Robert E. Bull
Chairman of the Board
1981-Present

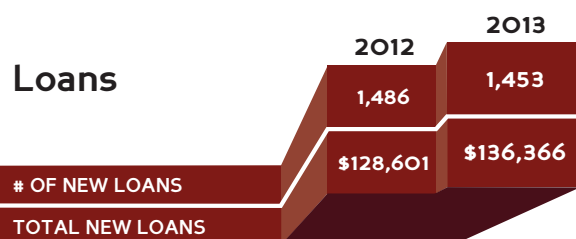


First Keystone Corporation
2013 Annual Report

FINANCIAL HIGHLIGHTS

(Amounts in thousands, except per share)

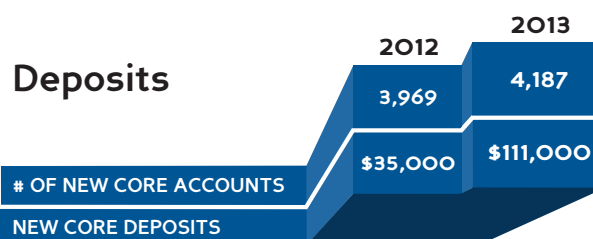
	2013	2012	2011	2010	2009
Summary of Operations					
Interest income	\$ 30,961	\$ 34,936	\$ 37,028	\$ 38,154	\$ 37,726
Interest expense	4,954	6,514	9,405	12,742	15,565
Net interest income	26,007	28,422	27,623	25,412	22,161
Provision for loan losses	1,372	1,600	1,900	2,575	800
Investment securities gains (losses)-net	2,900	813	111	163	(138)
Net income	10,273	10,170	9,907	8,961	7,937
Per Common Share Data					
Net income	\$ 1.87	\$ 1.86	\$ 1.82	\$ 1.65	\$ 1.46
Cash dividends	1.04	1.01	.97	.93	.92
Balance Sheet Data					
Assets	\$901,565	\$819,966	\$818,546	\$796,601	\$758,330
Investment securities	359,531	303,756	336,618	316,531	282,798
Net loans	439,999	427,124	410,066	403,950	401,375
Deposits	690,075	608,834	624,349	626,895	580,569
Stockholders' equity	96,351	103,330	93,092	79,060	74,167
Performance Ratios					
Return on average assets	1.23%	1.25%	1.21%	1.09%	1.06%
Return on average equity	10.12%	10.19%	11.57%	10.98%	10.88%
Dividend payout ratio	55.64%	54.18%	53.31%	56.47%	63.06%
Average equity to average assets ratio	12.10%	12.28%	10.43%	9.95%	9.73%



Loan Breakdown



- COMMERCIAL
- MORTGAGES
- HOME EQUITY
- CONSUMER & OTHER



Deposit Breakdown



- CORE DEPOSITS (Checking, Savings & Money Markets)
- TIME DEPOSITS (Certificates of Deposits)

New Initiatives

- Trained & Implemented Dodd-Frank Ability to Repay Standards
- Launched Kasasa Checking Products
- Launched New Online Banking Platform

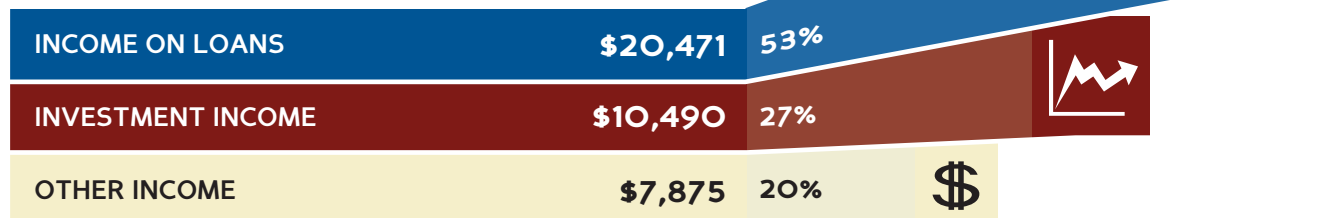
Community Offices

- Completed Expansion and Renovation of the Main Headquarters in Berwick
- Built and Opened New Shickshinny Office
- Opened New Dallas Office

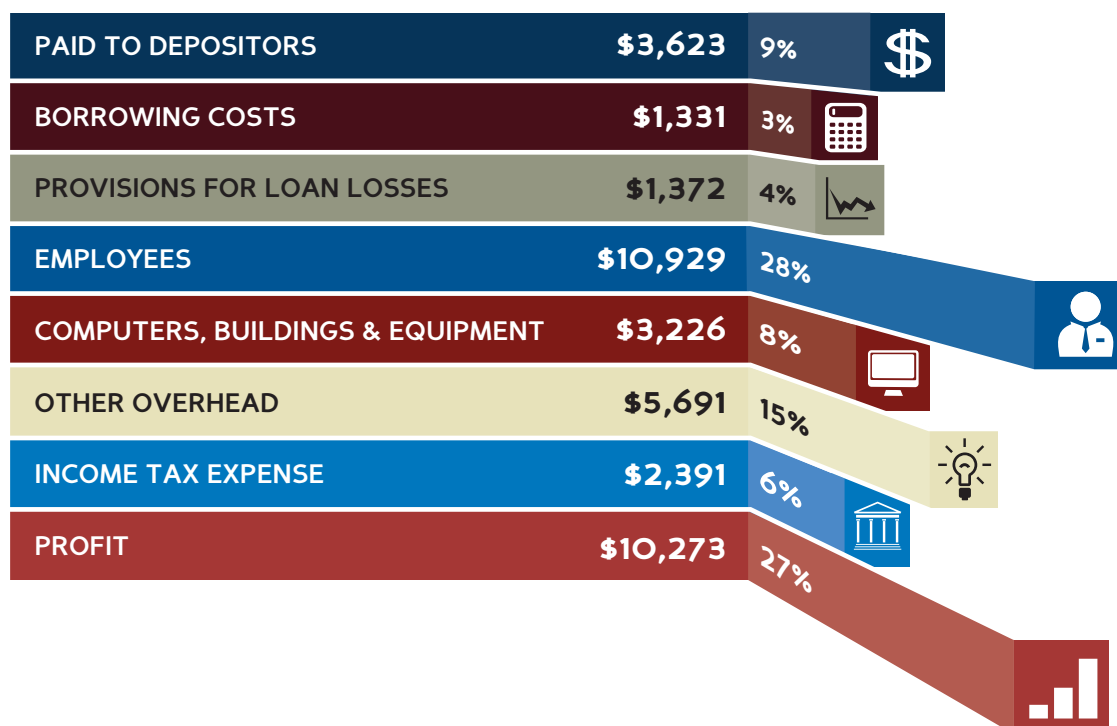
\$ Amounts in thousands

INCOME STATEMENT IN GRAPHIC FORM

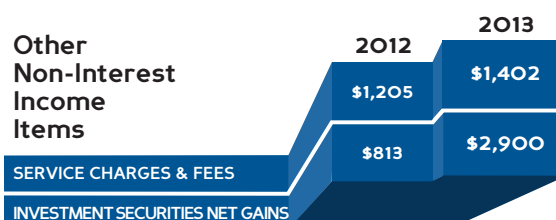
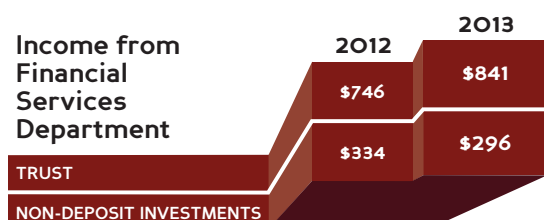
How we generated \$38,836 in income:



How we used our \$38,836 in income:



COMPONENTS OF OTHER INCOME



TO OUR SHAREHOLDERS



"During the summer of 1864 several informal meetings of the business men of Berwick, Pa., were held with the object of taking advantage of the National Bank Act passed by Congress February 25th, 1863, and to give Berwick banking facilities which it had lacked up to that time. After the preliminaries had been complied with, the articles of association were drawn and signed by the following gentlemen:

M.W. Jackson, P.M. Traugh, Jesse Bowman, M.M. Cooper, Francis Evans, F. Nicely, S.B. Bowman, A. Miller, W.H. Woodin, M.E. Jackson, Wm. Lamon, and H. Lamon.

The request of the association to enter the National Banking System by virtue of the charter was granted by the Comptroller of the Currency under the title of the First National Bank of Berwick, Penna., No. 568, September 21st, 1864, for a term of twenty years."

- From 1919 Annual Report of First National Bank of Berwick, Penna.

This year's Annual Report to Shareholders contrasts the past with the present. As our 150th Anniversary approaches on September 21st of this year, our cover displays a picture of our current Chairman of the Board, Robert E. Bull, and our first Chairman, Mordecai W. Jackson. These men, and many men and women in between, have been instrumental in shaping First Keystone Community Bank over our 150 year history. In 1864, the Bank was chartered with \$50,000 in capital stock and ended its first year with \$112,000 in assets. Today our stockholders' equity is more than \$96 million and as of December 31, 2013, our assets exceeded \$900 million.

During 2013, we opened two new branch offices, remodeled our Main Office lobby, and moved into our newly constructed Administrative Offices on Front Street in downtown Berwick. Our expansion into the "Back Mountain" was initiated with the opening of our 17th office on Memorial Highway in Dallas. Later in the year we completed the construction of a new office on Main Street in Shickshinny. We are proud to be a part of these two new "First Keystone Communities".

Our vision of the future continues with the introduction of a new line of Rewards Checking products offering high interest, cash back or iTunes credit. For the first time in our history, these accounts can be opened over the Internet, without ever entering the Bank. Soon our customers will have the ability to deposit a check just by taking a picture of it with their smartphone. These technological improvements will give us the ability to match 'big bank' products with the high quality, personal service our customers have come to expect from your community bank.

Financial Highlights

During 2013, the Corporation had net income of \$10,273,000 as compared to \$10,170,000 for the year 2012, a 1.0% increase. Total interest income fell as a result of the continuing low interest rate environment. The replacement of maturing investments and loan repayments were nearly all completed at lower interest rates. Total interest income was down by nearly \$4,000,000. Total interest expense was lower, as well, for similar reasons. The result was a decline in net interest income of \$2,415,000.

Non-interest income increased primarily as a result of higher net gains taken on sales of investment securities. This offsets the decline in gains on sales of residential mortgage loans due to the reduction in home mortgage refinancing activity. Non-interest income in total was up \$1,942,000. Non-interest expense declined from 2012 to 2013. While salaries and employee benefit expenses were up by more than \$500,000, the costs of collecting non-performing loans and foreclosed real estate declined dramatically. Occupancy and equipment expenses rose slightly as a result of new construction, but overall non-interest expense was lower by more than \$500,000.

The Corporation was successful in growing assets during 2013 above the \$900,000,000 mark. Growth came in both loans and investments. Net loans grew to almost \$440,000,000, up \$12,875,000, or more than 3.0%. The growth was spread evenly between the commercial and industrial and residential real estate loan portfolios. The investment portfolio grew as the Corporation moved away from longer-term municipal bonds and into shorter-term mortgage backed securities. This was done to reduce the risk of rising interest rates and to increase cash flow from the investment portfolio.

Funding for the increase in assets came from both deposits and borrowings. We were successful in attracting \$80,000,000 in new deposits throughout our market area. Borrowings increased as well, by a little more than \$9,000,000. As in 2012, the bank prepaid one higher rate, long-term borrowing with the proceeds of investment security sales made at a gain. The result was increased net income and reduced sensitivity to rising interest rates.

Total stockholders' equity declined during 2013. Adding to stockholders' equity, the Corporation retained more than \$4,557,000 in profits after paying out dividends of \$5,716,000. However, accumulated other comprehensive income declined by more than \$12,500,000. A combination of rising interest rates and sales of securities at a net gain were responsible for the reduction in accumulated other comprehensive income. Overall, stockholders' equity declined by nearly \$7,000,000. However, we continue to be well capitalized by bank regulatory measures and we remain in a position to grow as the economy improves.

During 2013, we paid a dividend of \$1.04 per share, an increase of 3.0% from 2012. Based upon the closing share price on December 31, 2013 of \$25.00, that equals a dividend yield of 4.2%.

"Yesterday's Traditions...Tomorrow's Vision" is a fitting summary of our ideals at First Keystone Corporation. Please join us in celebrating our 150th year. From the Directors, senior management and all of the employees, we thank you for your continued support of First Keystone Corporation during the past and into our future.



Matthew P. Prosseda
President & Chief Executive Officer



FROM “YESTERDAY’S TRADITION

In September 1864, while still deep in the throes of the Civil War, the incorporation of a small community bank in Northeast Pennsylvania may have been dwarfed by the events of the day, but it was no doubt a big deal to residents of Berwick, Pennsylvania. Fast forward 150 years and First Keystone Community Bank continues to grow and prosper as a leader in the financial services market. What started out as a single 16' x 25' building has developed into a network of eighteen full-service branches dedicated to helping local people and businesses navigate the ever-changing financial landscape.

Our forefathers could never have imagined the complexities of today's banking environment. As an example, 1864 was the first year that the phrase “In God We Trust” appeared on the nation's currency. In 2014, First Keystone broke its own new ground by introducing a menu of rewards and high-yield checking and savings accounts called “Kasasa”. First Keystone will be the first local institution to take on the megabanks by offering innovative products paired with the excellent customer service that people demand from their bank. It may sound “too good to be true,” but Kasasa's rewards and high-yield accounts are the future of banking in this market area.

In 2014, First Keystone renews their commitment to maintaining “Yesterday's Traditions,” but highlights the opportunities that come with “Tomorrow's Vision.” As our reliance on the Internet and online banking continues to grow, First Keystone is a leader in providing products and services that stress convenience and flexibility, such as bill payment, mobile banking, remote deposit capture, and online account opening.

First Keystone

Celebrating

1864



NS" TO "TOMORROW'S VISION"

Your bank has also positioned itself to be a key strategic resource for the area's small business community. While the economy continues to stabilize, local businesses count on the dedication and expertise of First Keystone's commercial services team to promote growth and provide the tools needed to excel in today's competitive market.

But one thing hasn't changed in a century and a half – the bank's dedication to supporting local communities and the people that live and work here. From Danville to Wilkes-Barre to Stroudsburg, First Keystone Community Bank believes in the individuals and businesses that it serves and strives to be a resource for the financial products and customer service that consumers expect from a community bank.

st
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COMMUNITY BANK

g 150 Years

2014

As the assets of the bank nudge up against the \$1 billion mark, the Board and senior management are committed to upholding the independent spirit and progressive attitude of the bank's first Chairman, Mordecai William Jackson. By leveraging the need for growth and prosperity with a continuing focus on serving the needs of its customers, First Keystone Community Bank will certainly be part of its local communities for another 150 years.



FIRST KEYSTONE CORPORATION BOARD OF DIRECTORS



Front Row Left to Right: David R. Sacarino, Don E. Bower, Robert E. Bull, Matthew P. Prosseda, Dr. Joseph B. Conahan, Jr., Robert A. Bull, J. Gerald Bazewicz

Back Row Left to Right: John G. Gerlach, Jerome F. Fabian, John Arndt

John Arndt

Owner

Arndt Insurance Agency

Robert A. Bull

Attorney

Bull, Bull & McDonald, LLP

Jerome F. Fabian

Owner/President

Tile Distributors of America, Inc.

David R. Sacarino

Retired Vice President & CFO

First Keystone Community Bank

J. Gerald Bazewicz

Retired President & CEO

First Keystone Community Bank

Robert E. Bull

Retired Attorney

Bull, Bull & McDonald, LLP

John G. Gerlach

Retired President

First Keystone Community Bank

Pocono Division

Don E. Bower

President

Don E. Bower, Inc.

Dr. Joseph B. Conahan, Jr.

Ophthalmologist/Managing Partner

Pocono Ambulatory Surgery Center

Matthew P. Prosseda

President & CEO

First Keystone Community Bank

Officers

Robert E. Bull

Chairman

J. Gerald Bazewicz

Vice Chairman

Matthew P. Prosseda

President & Chief Executive Officer

Diane C.A. Rosler

Chief Financial Officer

John Arndt

Secretary

Cheryl L. Wynings

Assistant Secretary

FIRST KEYSTONE COMMUNITY BANK OFFICERS

Robert E. Bull
Chairman of the Board

J. Gerald Bazewicz
Vice Chairman

John Arndt
Secretary

Executive Management

Matthew P. Prosseda
President
Chief Executive Officer

Kevin L. Miller
Executive Vice President
Chief Operating Officer

Elaine A. Woodland
Executive Vice President
Director of Lending

Diane C.A. Rosler
Senior Vice President
Chief Financial Officer & Cashier

Barbara J. Robbins
Senior Vice President
Deposit Operations Manager

Mark J. McDonald
Senior Vice President
Chief Credit Officer

James S. Szewc
Vice President
Senior Trust Officer

Gabriel D. Alessi
Vice President,
Mortgage Services Manager

Wendy L. Bacher
Asst. Trust Officer,
IRA Manager

Anthony P. Cartiglia
Vice President,
Commercial Services Officer

Marcia H. Dobey
Asst. Vice President,
Mortgage Underwriter

Edgar A. Gower, Jr.
Vice President,
Commercial Services Officer

Lee A. Hess
Vice President, Commercial
Services Officer-Security Officer

Rebecca A. Hooper
Trust Officer

Theresa E. Johnson
Asst. Cashier,
Community Office Manager

Michelle E. Kozak
Asst. Cashier,
Marketing Officer

Leona W. Luongo
Vice President,
Mortgage Loan Consultant

Eugene W. Morrison
Vice President,
Commercial Services Officer

Deborah C. Orendi
Asst. Cashier,
Community Office Manager

Michael W. Rider
Asst. Vice President, IT Manager/
Information Security Officer

Sally J. Sitler
Asst. Vice President,
Computer Operations Manager

Jeffrey T. Wozniak
Asst. Vice President,
Technology Systems Manager

Christopher Zlobik
Asst. Cashier,
Asst. IT Manager

Jodi L. Alley
Vice President,
Loan Operations Manager

Charlotte M. Bishop
Asst. Vice President,
In Store Sales Manager

Carmelita A. Cleaver
Vice President,
Retail Operations Officer

Andrew S. Faytko
Vice President,
Commercial Services Officer

Brenda L. Grasley
Vice President,
Consumer Loan Manager

Jason P. Holloway
Asst. Cashier,
Consumer Loan Officer

Toney C. Horst
Asst. Vice President,
Controller

Donna J. Keefer
Vice President,
Product Support

Kevin Krieger
Vice President,
Compliance Officer & BSA Officer

Kristi A. McClintock
Asst. Cashier, Commercial
Loan Document Specialist

Bonnie Nevel
Asst. Cashier,
Trainer

Marilynn Palmer
Vice President,
Community Office Manager

Holly M. Rodzon
Asst. Cashier,
Asst. Community Office Manager

Sherri A. Sitler
Asst. Vice President,
Deposit Review Officer

Cheryl L. Wynings
Asst. Cashier, Exec. Administrative
Asst. & Asst. Secretary

Lesia A. Angell
Vice President, Retail
Banking & Sales Manager

Patricia Buccieri
Asst. Vice President,
Asst. Community Office Manager

Sandra L. Cole
Asst. Cashier,
Asst. Community Office Manager

Elizabeth Goll
Asst. Vice President,
Asst. Community Office Manager

Tina M. Gray
Vice President,
Community Office Manager

Richard L. Holloway
Asst. Vice President,
Community Office Manager

Kathleen M. Jarski
Asst. Vice President,
Community Office Manager

Brian M. Klinefelter
Asst. Vice President,
Credit Department Manager

Martin B. Leandri
Asst. Cashier,
Community Office Manager

Matthew W. Mensinger
Vice President,
Commercial Services Officer

Laurie Nudo
Asst. Cashier,
Customer Service Officer

Mary E. Pascucci
Assistant Cashier,
Training Director

Frances I. Seward
Asst. Vice President,
Community Office Manager

Kim R. Stroup
Asst. Cashier,
Community Office Manager

Linda K. Yerges
Vice President,
Human Resource Manager

John J. Babskie
Asst. Cashier,
Community Office Manager

Leighton E. Bull
Asst. Vice President,
Mortgage Loan Consultant

Beverly A. Cruikshank
Vice President,
Community Office Manager

James T. Gorman
Sr. Vice President, Commercial
Services Officer-Sr. Market Manager

Herbert Harmon, Jr.
Asst. Cashier,
Facilities Manager

June Honorowski
Vice President,
Regional Branch Administrator

Rachel Jennings
Asst. Cashier,
Post Closing Document Specialist

Steven M. Kotch
Assistant Cashier,
Collector

Jonathan Littlewood
Asst. Vice President,
Commercial Services Officer

Linda M. Meshinski
Asst. Vice President,
Community Office Manager

John J. O'Reilly
Trust Officer, New
Business Development Officer

John Procopio
Exec. Vice President, Commercial
Services Officer-Sr. Market Manager

Kimberly S. Shiner
Asst. Vice President,
Community Office Manager

Kimberly A. Volkel
Asst. Cashier,
Community Office Manager

Robert A. Young
Vice President,
Loan Review Officer

Advisory Boards

Bloomsburg/Danville

Michael E. Boone
Walter Deacon
Tim Flick
Dan W. Hartman
Michael H. Kuziak
Nancy Marr
Michael Nardone

Wyoming Valley

Timothy Connolly
Daniel Fierman
Michael Jezewski
James Mangan
Stephen Phillips
Edward H. Poggi, III
James V. Reino, Jr.

Pocono Community

Charles M. Hannig
Richard L. Price, Jr.
William E. Rinehart
Joel D. Rossi
Jacob E. Seip, Jr.

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, and Monroe Counties. The Bank engages in general banking business and also provides fiduciary services.

Corporate Headquarters

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

Notice of Annual Meeting

The 2014 Annual Meeting of Shareholders will be held at 10:00 a.m., Eastern Daylight Time, on Tuesday, May 6, 2014 at:

McBride Memorial Library, Community Room
500 Market Street
Berwick, Pennsylvania 18603

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, Pennsylvania 18603
Telephone: 570-752-3671, extension 1175

Stock Listing

First Keystone Corporation common stock is traded on the Over the Counter (OTC) Bulletin Board under the symbol "FKYS".

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:

Registrar & Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
Telephone: 1-800-368-5948
Website: www.rtco.com
Email: info@rtco.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 1-800-368-5948.

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:

Registrar and Transfer Company
Investor Relations Department
10 Commerce Drive
Cranford, NJ 07016
Telephone: 1-800-368-5948

Investor Information

Information regarding First Keystone Corporation is available online at www.firstkeystonecorporation.com. 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.

Stock Purchase Inquiries

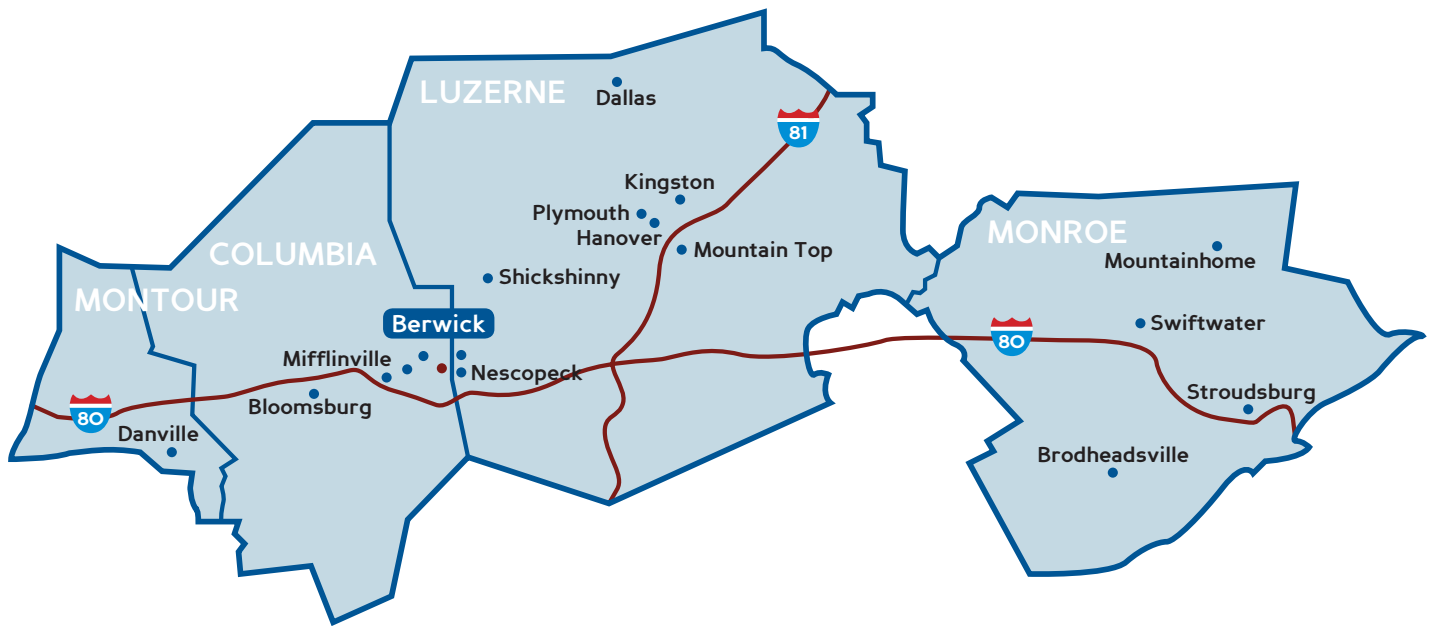
The following brokerage firms make a market in First Keystone Corporation common stock:

RBC Dain Rauscher, (800) 223-4207
Janney Montgomery Scott LLC, (800) 526-6397
Stifel Nicolaus & Co. Inc., (800) 223-6807
Boenning & Scattergood, Inc., (800) 883-1212

Independent Public Accountants

J. H. Williams & Co., LLP
270 Pierce Street
Kingston, Pennsylvania 18704
Telephone: 570-288-3651

OFFICE LOCATIONS



FIRST KEYSTONE COMMUNITY BANK

Main Office

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

Salem Township Office

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

Freas Avenue Office

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

Briar Creek Office

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

Nescopeck Office

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

Mifflinville Office

Third & Race Street
Mifflinville, PA 18631
570-752-5750

Scott Township Office

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

Danville Office

1519 Bloom Road
Danville, PA 17821
570-275-8000

Hanover Township Office

1540 Sans Souci Highway
Wilkes-Barre, PA 18706
570-825-7352

Kingston Office

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

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

Stroudsburg Office

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

Mountainhome Office

154 Route 390
Mountainhome, PA 18342
570-595-9700

Swiftwater Office

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

Brodheadsville Office

Route 209
Brodheadsville, PA 18322
570-402-2008

From Yesterday's Traditions To Tomorrow's Vision

The front cover portrays photographs of our first Chairman of the Board, Mordecai Jackson, who served from 1864 through 1894 and our current Chairman of the Board, Robert E. Bull, who has held this position since 1981. It is because of their vision and dedication, we are able to exist and thrive today.

As we begin to celebrate our 150 years in the banking business, we reflect on the progress and growth of the Corporation and of the Bank. First Keystone began as a single office located on Front Street in Berwick and has grown to 18 branches in a four county market. This success is attributed to maintaining our core values and by fulfilling the visions of our founders. With this strong foundation in place, we can continue to serve our valued customers with the service and dedication they deserve and to fulfill their banking and investment needs. Our customers and shareholders have always been and will continue to be the priority of First Keystone Community Bank.

We would like to take this opportunity to thank you for your business and continued support.

