Lloyds Banking Group plc
Form 6-K
April 12, 2012

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

12 April, 2012

LLOYDS BANKING GROUP plc
(Translation of registrant's name into English)

5th Floor
25 Gresham Street
London
EC2V 7HN
United Kingdom

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports
under cover Form 20-F or Form 40-F.

Form 20-F..X.. Form 40-F.....

Indicate by check mark whether the registrant by furnishing the information
contained in this Form is also thereby furnishing the information to the
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ..... No ..X..

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule
12g3-2(b): 82- ________

Index to Exhibits

Item

No. 1 Regulatory News Service Announcement, dated 12 April, 2012
re: Annual Information Update

LLOYDS BANKING GROUP plc

FSA ANNUAL INFORMATION UPDATE (AIU)

This AIU is required by and is being made pursuant to prospectus rule 5.2 and not for any other purpose and neither the Company, nor any other person, takes any responsibility for, or makes any representation, express or implied, as to the accuracy or completeness of, the information which it contains. This information is not necessarily up to date at the date of this AIU and the Company does not undertake any obligation to update the information in future. Furthermore, this information may have been prepared in accordance with the laws or regulations of a particular jurisdiction and may not comply with or meet the relevant standards of disclosure in any other jurisdiction. This AIU does not constitute an offer of any securities addressed to any person and should not be relied on by any person.

This AIU covers the period from 16 March 2011 to 15 March 2012.

Section 1 - The London Stock Exchange

The announcements listed below were published on the London Stock Exchange via RNS, a Regulatory Information Service, and can be obtained from their website www.londonstockexchange.com or via the Company's website www.lloydsbankinggroup.com.

| Brief Description of information published | Date of publication |
|---|---|
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mr. A Horta-Osório, Mr. G.T. Tate, Mr. T.J.W. Tookey, Mr. J. Colombás, Mr. M. Fisher, Mr. A. Lorenzo, Mrs. A.S. Risley, Mr. M. Young,<br>Mr. A.G. Kane and Mrs H. A. Weir. | 30/03/2011 |
| Annual Report and Accounts and Notice of AGM | 30/03/2011 |
| Notification of Voting Rights and Capital | 31/03/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- António Horta-Osório | 31/03/2011 |
| TR1 Notification of Major Interests - Matrix European Real Estate Investment Trust Limited | 01/04/2011 |
| Notes issue of interim report from the Independent Commission on Banking | 11/04/2011 |
| Lloyds Banking Group responds to the interim report from the Independent Commission on Banking | 11/04/2011 |
| | 13/04/2011 |

| | |
|---|---|
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mr. A.G. Kane, Mrs. A.S. Risley, Mr. G.T. Tate, Mr. T.J.W. Tookey and Mrs H.A. Weir | |
| Update on the recent judicial review of payment protection insurance | 20/04/2011 |
| Annual information update | 20/04/2011 |
| Notification of Voting Rights and Capital | 26/04/2011 |
| Q1 Interim Management Statement | 05/05/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Martin Scicluna | 06/05/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mr. A.G. Kane, Mrs. A.S. Risley, Mr. G.T. Tate, Mr. T.J.W. Tookey and Mrs H.A. Weir | 10/05/2011 |
| 2010 Annual Report on Form 20-F | 16/05/2011 |
| Notification of Block Listing Application | 17/05/2011 |
| Final Poll Results | 18/05/2011 |
| Prospectus dated 20 May 2011 relating to the $35,000,000,000 US Medium Term Note Programme of Lloyds Banking Group plc and Lloyds TSB Bank plc | 20/05/2011 |
| Strategic Review Update | 25/05/2011 |
| Lloyds TSB Bank plc, Bank of Scotland plc and HBOS plc - Notices of AGM | 27/05/2011 |
| Notification of Voting Rights and Capital | 31/05/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mrs. A.S. Risley & Mr. M.A. Fisher | 01/06/2011 |
| Sale of Hill Hire Plc | 08/06/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected | 09/06/2011 |

| | |
|---|---|
| persons<br>- Mrs. A.S. Risley, Mr. M.A. Fisher, Mr. J. Colombás, Mr. A. Lorenzo and Mr. T.W. Tookey. | |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mrs. A.S. Risley, Mr. G.T. Tate and Mr. T.J.W. Tookey | 10/06/2011 |
| Directors declaration - Sir Julian Horn-Smith | 14/06/2011 |
| Lloyds TSB Bank plc, Bank of Scotland plc and HBOS plc - Results of AGM | 23/06/2011 |
| Test announcement re Strategic Review | 30/06/2011 |
| Outcome of Strategic Review 30/06/2011 | 30/06/2011 |
| Notification of Voting Rights and Capital | 30/06/2011 |
| Block Listing Return | 01/07/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mrs. A.S. Risley, Mr. G.T. Tate and Mr. T.J.W. Tookey | 12/07/2011 |
| Used against RNS No 5167K but cancelled prior to the message being sent down the wires. | 15/07/2011 |
| European Banking Authority (EBA Stress Test Results) | 15/07/2011 |
| Lloyds Banking Group Announces Management Changes | 19/07/2011 |
| Notification of Voting Rights and Capital | 29/07/2011 |
| Half year results | 04/08/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Sir Winfried Bischoff, Antonio Lorenzo, Glen Moreno, David Roberts, Tim Ryan & Tony Watson | 05/08/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mrs. A.S. Risley, Mr. G.T. Tate and Mr. T.J.W. Tookey | 10/08/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected | 15/08/2011 |

| | |
|---|---|
| persons<br>- Tony Watson | |
| Supplementary Prospectus dated 16 August 2011 relating to the $35,000,000,000 US Medium Term Note Programme of Lloyds Banking Group plc | 16/08/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Anita Frew and Tony Watson | 19/08/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mr. G.T. Tate | 26/08/2011 |
| Notification of Voting Rights and Capital | 31/08/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- J Colombas, M Fisher, A Lorenzo and A Risley | 01/09/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons - M Young | 07/09/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons - Alison Brittain | 09/09/2011 |
| Notification re issue of final report from The Independent Commission on Banking. | 12/09/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mrs. A.S. Risley, Mr. G.T. Tate and Mr. T.J.W. Tookey | 12/09/2011 |
| Management Change - T.J.W. Tookey | 19/09/2011 |
| Board Change - Lord Leitch | 19/09/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons - Alison Brittain | 27/09/2011 |
| Notification of Voting Rights and Capital | 30/09/2011 |
| | 07/10/2011 |

| | |
|---|---|
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons - Toby Strauss | |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mr. J.N. Maltby, Mrs. A.S. Risley, Mr. G.T. Tate and Mr. T.J.W. Tookey | 11/10/2011 |
| New allocation methodologies for funding costs and capital | 25/10/2011 |
| Notification of Voting Rights and Capital | 31/10/2011 |
| Management update - António Horta-Osório | 02/11/2011 |
| Further Management update - António Horta-Osório | 02/11/2011 |
| Q3 2011 Interim Management Statement | 08/11/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mr. J.N. Maltby, Mrs. A.S. Risley, Mr. G.T. Tate and Mr. T.J.W. Tookey | 10/11/2011 |
| Management Plans update | 21/11/2011 |
| Statement - George Culmer | 21/11/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons - A Lorenzo and G Moreno | 23/11/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons - Sir Win Bischoff, Tim Tookey and David Roberts | 24/11/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons - John Maltby | 25/11/2011 |
| Notification of Voting Rights and Capital | 30/11/2011 |
| Supplementary Prospectus dated 5 December 2011 relating to the $35,000,000,000 US Medium Term Note Programme of Lloyds Banking Group plc | 05/12/2011 |
| Stress Test Results | 08/12/2011 |
| | 12/12/2011 |

| | |
|---|---|
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mr. J.N. Maltby, Mrs. A.S. Risley, Mr. G.T. Tate and Mr. T.J.W. Tookey | |
| Management update - António Horta-Osório | 14/12/2011 |
| Verde Preferred Bidder | 14/12/2011 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- António Horta-Osório | 15/12/2011 |
| Directorate update re Lord Leitch | 16/12/2011 |
| Block Listing Return | 05/01/2012 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mr. J.N. Maltby, Mrs. A.S. Risley, Mr. G.T. Tate and Mr. T.J.W. Tookey | 10/01/2012 |
| Payment of accumulated interest on upper tier two Hybrid capital securities issued by Lloyds Banking Group companies | 19/01/2012 |
| Management update | 01/02/2012 |
| Board update - Sara Weller, Sir Julian Horn-Smith & Truett Tate | 01/02/2012 |
| Director declaration - Sara Weller | 01/02/2012 |
| Resignation of director - Truett Tate | 06/02/2012 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>- Mr. J.N. Maltby, Mrs. A.S. Risley and Mr. T.J.W. Tookey | 10/02/2012 |
| Sara Weller - director's declaration re LR 9.6.13R (2) to LR 9.6.13 R (6) | 21/02/2012 |
| Block Listing Interim Review | 22/02/2012 |
| 2011 Results News Release | 24/02/2012 |
| Director Change - Tim Tookey | 24/02/2012 |
| TR1 Notification of Major Interests - Petra Diamonds Limited | 24/02/2012 |
| Resignation of director - Glen Moreno | 27/02/2012 |
| Notification of Voting Rights and Capital | 29/02/2012 |
| Management change - George Culmer | 01/03/2012 |

| | |
|---|---|
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>J Colombás, M Fisher, A Lorenzo, J. Maltby, D Nicholson and A. Risley | 02/03/2012 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>A Horta-Osório, A. Brittain, J Colombás, M Fisher, A Lorenzo, J. Maltby, D Nicholson, A. Risley, T. Strauss and M. Young | 09/03/2012 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>J. Maltby and A. Risley | 12/03/2012 |
| SUPPLEMENTARY PROSPECTUS DATED 12 MARCH 2012 (THE "SUPPLEMENTARY PROSPECTUS") RELATING TO THE US$35,000,000,000 SENIOR AND SUBORDINATED MEDIUM TERM NOTE PROGRAMME OF LLOYDS BANKING GROUP PLC AND LLOYDS TSB BANK PLC | 13/03/2012 |
| TR1 Notification of Major Interests - KSK Power Ventur plc | 13/03/2012 |
| Notification of transactions relating to the shares of the issuer by directors, persons discharging managerial responsibilities or connected persons<br>M Fisher, J. Maltby, D Nicholson and A. Risley, | 15/03/2012 |
| Annual report and accounts announcement | 15/03/2012 |
| TR1 Notification of Major Interests - Pursuit Dynamics plc | 15/03/2012 |

Note

A number of other notifications were made to the RNS pursuant to the rules governing substantial acquisitions of shares issued on behalf of the panel on takeovers and mergers, relating to notifiable interests in the capital of certain listed companies held by the Company. Further details about these announcements may be obtained from the Share Disclosure Unit, Lovell Park 1, Phase 2, 1 Lovell Road, Leeds, West Yorkshire LS1 1NS.

Section 2 - Companies House

The Company filed the following forms with Companies House and copies can be obtained from the Companies House website www.companieshouse.gov.uk.

| Form description | Brief description of information published | Date of publication |
|---|---|---|
| SH01 | Return of allotment of shares | 16/03/2011 |
| SH01 | Return of allotment of shares | 22/03/2011 |
| SH01 | Return of allotment of shares | 04/04/2011 |
| SH01 | Return of allotment of shares | 08/04/2011 |

| | | |
|---|---|---|
| SH01 | Return of allotment of shares | 03/05/2011 |
| SH01 | Return of allotment of shares | 10/05/2011 |
| SH01 | Return of allotment of shares x2 | 11/05/2011 |
| AR01 | Annual return | 11/05/2011 |
| SH01 | Return of allotment of shares | 17/05/2011 |
| TM01 | Appointment terminated x2 | 19/05/2011 |
| RES10 | Authorised allotment of shares and debentures | 26/05/2011 |
| SH01 | Return of allotment of shares | 02/06/2011 |
| AA | Report and Accounts | 16/06/2011 |
| SH01 | Return of allotment of shares x3 | 21/06/2011 |
| SH01 | Return of allotment of shares | 23/06/2011 |
| SH01 | Return of allotment of shares | 24/06/2011 |
| SH01 | Return of allotment of shares | 28/06/2011 |
| RP04/SH01 | Second filing of a document previously delivered and Return of Allotment of shares | 08/07/2011 |
| SH01 | Return of allotment of shares | 12/07/2011 |
| SH01 | Return of allotment of shares | 14/07/2011 |
| SH01 | Return of allotment of shares | 20/07/2011 |
| SH01 | Return of allotment of shares | 22/08/2011 |
| RP04 | Second filing for form SH01 | 22/08/2011 |
| SH01 | Return of allotment of shares | 23/08/2011 |
| SH01 | Return of allotment of shares | 30/08/2011 |
| TM01 | Appointment terminated - Truett Tate | 07/02/2012 |
| AP01 | Appointment of Sara Weller | 07/02/2012 |
| MEM/ARTS | Articles of association | 15/02/2012 |
| TM01 | Appointment terminated - Tim Tookey | 28/02/2012 |
| TM01 | Appointment terminated - Lord Leitch | 02/03/2012 |

Section 3 - Securities & Exchange Commission (SEC) and New York Stock Exchange

The Company has submitted the filings listed below to the SEC and New York Stock Exchange and full details of these filings can be found at the SEC's website www.sec.gov.

| Brief description of information published | Date of publication |
|---|---|
| These are the notifications to the SEC and the New York Stock Exchange of the items listed against the same dates in section 1 of this update (unless otherwise stated) | |
| Report of foreign issuer x2 | 30/03/2011 |
| Report of foreign issuer x2 | 31/03/2011 |
| Report of foreign issuer x2 | 11/04/2011 |
| Report of foreign issuer | 13/04/2011 |
| Report of foreign issuer x2 | 20/04/2011 |
| Report of foreign issuer | 26/04/2011 |
| Report of foreign issuer | 05/05/2011 |
| Report of foreign issuer | 06/05/2011 |
| Report of foreign issuer | 10/05/2011 |
| Report of foreign issuer | 16/05/2011 |

| | |
|---|---|
| Report of foreign issuer | 17/05/2011 |
| Report of foreign issuer | 18/05/2011 |
| Report of foreign issuer | 25/05/2011 |
| Report of foreign issuer | 27/05/2011 |
| Report of foreign issuer | 31/05/2011 |
| Report of foreign issuer | 01/06//2011 |
| Report of foreign issuer | 09/06//2011 |
| Report of foreign issuer | 10/06//2011 |
| Report of foreign issuer | 14/06//2011 |
| Report of foreign issuer | 23/06/2011 |
| Report of foreign issuer | 30/06/2011 |
| Report of foreign issuer | 30/06/2011 |
| Report of foreign issuer | 01/07/2011 |
| Report of foreign issuer | 12/07/2011 |
| Report of foreign issuer | 15/07/2011 |
| Report of foreign issuer | 19/07/2011 |
| Report of foreign issuer | 29/07/2011 |
| Report of foreign issuer | 04/08/2011 |
| Report of foreign issuer | 05/08/2011 |
| Report of foreign issuer | 10/08/2011 |
| Report of foreign issuer | 15/08/2011 |
| Report of foreign issuer | 19/08/2011 |
| Report of foreign issuer | 26/08/2011 |
| Report of foreign issuer | 31/08/2011 |
| Report of foreign issuer | 01/09/2011 |
| Report of foreign issuer | 07/09/2011 |
| Report of foreign issuer | 09/09/2011 |
| Report of foreign issuer x2 | 12/09/2011 |
| Report of foreign issuer x2 | 19/09/2011 |
| Report of foreign issuer | 27/09/2011 |
| Report of foreign issuer | 30/09/2011 |
| Report of foreign issuer | 07/10/2011 |
| Report of foreign issuer | 11/10/2011 |
| Report of foreign issuer | 25/10/2011 |
| Report of foreign issuer | 31/10/2011 |
| Report of foreign issuer X2 | 02/11/2011 |
| Report of foreign issuer | 08/11/2011 |
| Report of foreign issuer | 10/11/2011 |
| Report of foreign issuer X2 | 21/11/2011 |
| Report of foreign issuer | 22/11/2011 |
| Report of foreign issuer | 23/11/2011 |
| Report of foreign issuer | 24/11/2011 |
| Report of foreign issuer | 25/11/2011 |
| Report of foreign issuer | 30/11/2011 |
| Report of foreign issuer | 08/12/2011 |
| Report of foreign issuer | 12/12/2011 |
| Report of foreign issuer X2 | 14/12/2011 |
| Report of foreign issuer | 15/12/2011 |
| Report of foreign issuer | 16/12/2011 |
| Report of foreign issuer | 05/01/2012 |
| Report of foreign issuer | 10/01/2012 |

| | |
|---|---|
| Report of foreign issuer | 19/01/2012 |
| Report of foreign issuer X3 | 01/02/2012 |
| Report of foreign issuer | 06/02/2012 |
| Report of foreign issuer | 10/02/2012 |
| Report of foreign issuer | 21/02/2012 |
| Report of foreign issuer | 22/02/2012 |
| Report of foreign issuer | 24/02/2012 |
| Report of foreign issuer | 24/02/2012 |
| Report of foreign issuer | 27/02/2012 |
| Report of foreign issuer | 29/02/2012 |
| Report of foreign issuer | 01/03/2012 |
| Report of foreign issuer | 02/03/2012 |
| Report of foreign issuer | 09/03/2012 |
| Report of foreign issuer x2 | 15/03/2012 |

Section 4 - European jurisdictions

The Netherlands: Authority for the Financial Markets ("AFM")

The Company has submitted the filings listed below to the AFM and full details of these filings can be found at AFM's website www.afmextranet.nl.

| Brief description of information published | Date of publication |
|---|---|
| These are the notifications to the AFM of the items listed against the same dates in section 1 of this update (except for share disclosures) | |
| Report of foreign issuer x2 | 30/03/2011 |
| Report of foreign issuer | 31/03/2011 |
| Report of foreign issuer x2 | 11/04/2011 |
| Report of foreign issuer x2 | 20/04/2011 |
| Report of foreign issuer | 26/04/2011 |
| Report of foreign issuer | 05/05/2011 |
| Report of foreign issuer | 16/05/2011 |
| Report of foreign issuer | 17/05/2011 |
| Report of foreign issuer | 18/05/2011 |
| Report of foreign issuer | 25/05/2011 |
| Report of foreign issuer | 27/05/2011 |
| Report of foreign issuer | 31/05/2011 |
| Report of foreign issuer | 08/06/2011 |
| Report of foreign issuer | 09/06//2011 |
| Report of foreign issuer | 10/06//2011 |
| Report of foreign issuer | 14/06//2011 |
| Report of foreign issuer | 23/06/2011 |
| Report of foreign issuer | 30/06/2011 |
| Report of foreign issuer | 30/06/2011 |
| Report of foreign issuer | 01/07/2011 |
| Report of foreign issuer | 12/07/2011 |
| Report of foreign issuer | 15/07/2011 |

| | |
|---|---|
| Report of foreign issuer | 19/07/2011 |
| Report of foreign issuer | 29/07/2011 |
| Report of foreign issuer | 04/08/2011 |
| Report of foreign issuer | 19/08/2011 |
| Report of foreign issuer | 26/08/2011 |
| Report of foreign issuer | 31/08/2011 |
| Report of foreign issuer | 12/09/2011 |
| Report of foreign issuer x2 | 19/09/2011 |
| Report of foreign issuer | 30/09/2011 |
| Report of foreign issuer | 25/10/2011 |
| Report of foreign issuer | 31/10/2011 |
| Report of foreign issuer X2 | 02/11/2011 |
| Report of foreign issuer | 08/11/2011 |
| Report of foreign issuer X2 | 21/11/2011 |
| Report of foreign issuer | 30/11/2011 |
| Report of foreign issuer | 08/12/2011 |
| Report of foreign issuer X2 | 14/12/2011 |
| Report of foreign issuer | 15/12/2011 |
| Report of foreign issuer | 05/01/2012 |
| Report of foreign issuer | 19/01/2012 |
| Report of foreign issuer X3 | 01/02/2012 |
| Report of foreign issuer | 06/02/2012 |
| Report of foreign issuer | 21/02/2012 |
| Report of foreign issuer | 22/02/2012 |
| Report of foreign issuer | 24/02/2012 |
| Report of foreign issuer | 24/02/2012 |
| Report of foreign issuer | 27/02/2012 |
| Report of foreign issuer | 29/02/2012 |
| Report of foreign issuer | 01/03/2012 |
| Report of foreign issuer x2 | 15/03/2012 |

The Netherlands: Euronext Amsterdam N.V. ("Euronext")

The Company has submitted the filings listed below to Euronext and full details of these filings can be found at Euronext's website www.euronext.com.

| Brief description of information published<br>These are the notifications to Euronext Amsterdam N.V. of the items listed against the same dates in section 1 of this update (unless otherwise stated) | Date of publication |
|---|---|
| Report of foreign issuer x2 | 30/03/2011 |
| Report of foreign issuer x2 | 31/03/2011 |
| Report of foreign issuer x2 | 11/04/2011 |
| Report of foreign issuer | 13/04/2011 |
| Report of foreign issuer x2 | 20/04/2011 |
| Report of foreign issuer | 26/04/2011 |
| Report of foreign issuer | 05/05/2011 |
| Report of foreign issuer | 06/05/2011 |

| | |
|---|---|
| Report of foreign issuer | 10/05/2011 |
| Report of foreign issuer | 16/05/2011 |
| Report of foreign issuer | 17/05/2011 |
| Report of foreign issuer | 18/05/2011 |
| Report of foreign issuer | 25/05/2011 |
| Report of foreign issuer | 27/05/2011 |
| Report of foreign issuer | 31/05/2011 |
| Report of foreign issuer | 01/06//2011 |
| Report of foreign issuer | 08/06/2011 |
| Report of foreign issuer | 14/06//2011 |
| Report of foreign issuer | 23/06/2011 |
| Report of foreign issuer | 30/06/2011 |
| Report of foreign issuer | 30/06/2011 |
| Report of foreign issuer | 01/07/2011 |
| Report of foreign issuer | 15/07/2011 |
| Report of foreign issuer | 19/07/2011 |
| Report of foreign issuer | 29/07/2011 |
| Report of foreign issuer | 04/08/2011 |
| Report of foreign issuer | 05/08/2011 |
| Report of foreign issuer | 10/08/2011 |
| Report of foreign issuer | 15/08/2011 |
| Report of foreign issuer | 19/08/2011 |
| Report of foreign issuer | 26/08/2011 |
| Report of foreign issuer | 31/08/2011 |
| Report of foreign issuer | 01/09/2011 |
| Report of foreign issuer | 07/09/2011 |
| Report of foreign issuer | 09/09/2011 |
| Report of foreign issuer x2 | 12/09/2011 |
| Report of foreign issuer x2 | 19/09/2011 |
| Report of foreign issuer | 27/09/2011 |
| Report of foreign issuer | 30/09/2011 |
| Report of foreign issuer | 07/10/2011 |
| Report of foreign issuer | 11/10/2011 |
| Report of foreign issuer | 25/10/2011 |
| Report of foreign issuer | 31/10/2011 |
| Report of foreign issuer X2 | 02/11/2011 |
| Report of foreign issuer | 08/11/2011 |
| Report of foreign issuer | 10/11/2011 |
| Report of foreign issuer X2 | 21/11/2011 |
| Report of foreign issuer | 23/11/2011 |
| Report of foreign issuer | 24/11/2011 |
| Report of foreign issuer | 25/11/2011 |
| Report of foreign issuer | 30/11/2011 |
| Report of foreign issuer | 08/12/2011 |
| Report of foreign issuer | 12/12/2011 |
| Report of foreign issuer X2 | 14/12/2011 |
| Report of foreign issuer | 15/12/2011 |
| Report of foreign issuer | 16/12/2011 |
| Report of foreign issuer | 05/01/2012 |
| Report of foreign issuer | 10/01/2012 |
| Report of foreign issuer | 19/01/2012 |

| | |
|---|---|
| Report of foreign issuer X3 | 01/02/2012 |
| Report of foreign issuer | 06/02/2012 |
| Report of foreign issuer | 10/02/2012 |
| Report of foreign issuer | 21/02/2012 |
| Report of foreign issuer | 22/02/2012 |
| Report of foreign issuer | 24/02/2012 |
| Report of foreign issuer | 24/02/2012 |
| Report of foreign issuer | 27/02/2012 |
| Report of foreign issuer | 29/02/2012 |
| Report of foreign issuer | 01/03/2012 |
| Report of foreign issuer | 02/03/2012 |
| Report of foreign issuer | 09/03/2012 |
| Report of foreign issuer | 15/03/2012 |

Luxembourg: Luxembourg Stock Exchange (www.bourse.lu)

The Company has submitted the filings listed below to the Luxembourg Stock Exchange and full details of these filings can be found at the Luxembourg Stock Exchange website www.bourse.lu.

| Brief description of information published | Date of publication |
|---|---|
| Report of foreign issuer | 01/12/2011 |
| Report of foreign issuer | 12/12/2011 |
| Report of foreign issuer | 02/02/2012 |
| Report of foreign issuer | 09/02/2012 |
| Report of foreign issuer | 15/03/2012 |

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LLOYDS BANKING
GROUP plc

(Registrant)

By: Kate O'Neill

Name: Kate O'Neill

Title: Managing Director
Investor Relations

Date: 12 April, 2012
#160;

Amount

Net income
$7,937
Basic earnings per share:

Income available to common stockholders
$7,937 5,440 $1.46
Effect of dilutive securities:

Stock options
2
Diluted earnings per share:

Income available to common stockholders
$7,937 5,442 $1.46

Year Ended December 31, 2008

| | Net Income Numerators | Weighted Average Number of Shares Denominators | Per Share Amount |
|---|---|---|---|
| Net income | $ 7,551 | | |
| Basic earnings per share: | | | |
| Income available to common stockholders | $ 7,551 | 5,440 | $ 1.39 |
| Effect of dilutive securities: | | | |
| Stock options | | 2 | |
| Diluted earnings per share: | | | |
| Income available to common stockholders | $ 7,551 | 5,442 | $ 1.39 |

42

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

| | Year Ended December 31, 2007 | | |
|---|---|---|---|
| | Net Income Numerators | Weighted Average Number of Shares Denominators | Per Share Amount |
| Net income | $ 6,127 | | |
| Basic earnings per share: | | | |
| Income available to common stockholders | $ 6,127 | 4,674 | $ 1.31 |
| Effect of dilutive securities: | | | |
| Stock options | | 6 | |
| Diluted earnings per share: | | | |
| Income available to common stockholders | $ 6,127 | 4,680 | $ 1.31 |

Cash Flow Information

For purposes of reporting consolidated cash flows, cash and cash equivalents include cash on hand and due from other banks and interest bearing deposits in other banks. The Corporation considers cash classified as interest bearing deposits with other banks as a cash equivalent since they are represented by cash accounts essentially on a demand basis.

Trust Assets and Income

Property held by the Corporation in a fiduciary or agency capacity for its customers is not included in the accompanying consolidated financial statements since such items are not assets of the Corporation. Trust Department income is generally recognized on a cash basis and is not materially different than if it were reported on an accrual basis.

Recent Accounting Pronouncements

FASB ASC 820-10 — In February 2008, the FASB issued new guidance impacting FASB ASC 820-10, Fair Value Measurements and Disclosures (FASB Staff Position No. 157-2). The staff position delays the effective date of FASB ASC 820-10 (SFAS No. 157) for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The delay expired January 1, 2009, and the expiration of the delay did not have a material impact on the Corporation’s consolidated financial positions or results of operations.

FASB ASC 805 — In December 2007, the FASB issued new guidance impacting FASB ASC 805, Business Combinations (SFAS No 141® — Business Combinations). The new guidance establishes principles and requirements for how an acquiring company (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree, (2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The new standard became effective for the Corporation on January 1, 2009. The adoption of this standard did not have a material impact on the Corporation’s consolidated financial position or results of operations.

FASB ASC 810-10 — In December 2007, the FASB issued FASB ASC 810-10, Consolidation (Statement No. 160 — Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51). FASB ASC 810-10 requires the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled and presented in the consolidated balance sheet within equity, but separate from the parent's equity. It also requires the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of income. The new standard became effective for the Corporation on January 1, 2009. The adoption of this standard did not have a material impact on the Corporation's consolidated financial position or results of operations.

FASB ASC 815-10 — In March 2008, the FASB issued FASB ASC 815-10, Derivatives and Hedging (Statement No. 161 —Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133). FASB ASC 815-10 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related items are accounted for and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The new standard became effective for the Corporation on January 1, 2009. The adoption of this standard did not have a material impact on the Corporation's consolidated financial position or results of operations.

FASB ASC 855 — In May 2009, the FASB issued FASB ASC 855, Subsequent Events (Statement No. 165 — Subsequent Events). FASB ASC 855 establishes the period after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure in financial statements and the circumstances under which an entity shall recognize events or transactions that occur after the balance sheet date. FASB ASC 855 also requires disclosure of the date through which subsequent events have been evaluated. The Corporation adopted this standard for the interim reporting period ending June 30, 2009. The adoption of this standard did not have a material impact on the Corporation's consolidated financial position or results of operations.

FASB ASC 860 — In June 2009, the FASB issued new guidance impacting FASB ASC 860, Transfers and Servicing (Statement No. 166 — Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140). The new guidance removes the concept of a qualifying special-purpose entity and limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. The new standard will become effective for the Corporation on January 1, 2010. The Corporation is currently evaluating the impact of adopting the new standard on the consolidated financial statements.

FASB ASC 810-10 — In June 2009, the FASB issued new guidance impacting FASB ASC 810-10, Consolidation (Statement No. 167 —Amendments to FASB Interpretation No. 46®). The new guidance amends tests for variable interest entities to determine whether a variable interest entity must be consolidated. FASB ASC 810-10 requires an entity to perform an analysis to determine whether an entity's variable interest or interests give it a controlling financial interest in a variable interest entity. This standard requires ongoing reassessments of whether an entity is the primary beneficiary of a variable interest entity and enhanced disclosures that provide more transparent information about an entity's involvement with a variable interest entity. The new guidance will become effective for the Corporation on January 1, 2010 and the Corporation is currently evaluating the impact of adopting the standard on the consolidated financial statements.

FASB ASC 105-10 — In June 2009, the FASB issued FASB ASC 105-10, Generally Accepted Accounting Principles (Statement No. 168 — The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles). The new guidance replaces SFAS No. 162 and establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles ("GAAP"). Rules and interpretative releases of the Securities and Exchange Commission under federal securities laws are also sources of authoritative GAAP for SEC registrants. The new standard became effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this statement did not have a material impact on the Corporation's consolidated financial position or results of operations. Technical references to generally accepted accounting principles included in the Notes to Consolidated Financial

Statements are provided under the new FASB ASC structure with the prior terminology included parenthetically.

FASB ASC 715-20-50 — In December 2008, the FASB issued new guidance impacting FASB ASC 715-20-50, Compensation Retirement Benefits — Defined Benefit Plans — General (FASB Staff Position No. 132®- 1, Employers' Disclosures about Postretirement Benefit Plan Assets). This provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The guidance requires disclosure of the fair value of each major category of plan assets for pension plans and other postretirement benefit plans. This standard becomes effective for the Corporation on January 1, 2010. The Corporation is currently evaluating the impact of adopting the new guidance on the consolidated financial statements, but it is not expected to have a material impact.

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

---

FASB ASC 825-10-50 — In April 2009, the FASB issued new guidance impacting FASB ASC 825-10-50, Financial Instruments (FASB Staff Position No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments). This guidance amends existing GAAP to require disclosures about fair values of financial instruments for interim reporting periods as well as in annual financial statements. The guidance also amends existing GAAP to require those disclosures in summarized financial information at interim reporting periods. The Corporation adopted this standard for the interim reporting period ending March 31, 2009.

FASB ASC 320-10 — In April 2009, the FASB issued new guidance impacting FASB ASC 320-10, Investments — Debt and Equity Securities (FASB Staff Position No. FAS 115-2, Recognition and Presentation of Other-Than-Temporary Impairments). This guidance amends the other-than-temporary impairment guidance in U.S. generally accepted accounting principles for debt securities. If an entity determines that it has an other-than-temporary impairment on a security, it must recognize the credit loss on the security in the income statement. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. FASB ASC 320-10 expands disclosures about other-than-temporary impairment and requires that the annual disclosures in existing generally accepted accounting principles be made for interim reporting periods. The Corporation adopted this guidance for the interim reporting period ending March 31, 2009.

FASB ASC 820 — In April 2009, the FASB issued new guidance impacting FASB ASC 820, Fair Value Measurements and Disclosures (FASB Staff Position No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly). This provides additional guidance on determining fair value when the volume and level of activity for the asset or liability have significantly decreased when compared with normal market activity for the asset or liability. A significant decrease in the volume or level of activity for the asset or liability is an indication that transactions or quoted prices may not be determinative of fair value because transactions may not be orderly. In that circumstance, further analysis of transactions or quoted prices is needed, and an adjustment to the transactions or quoted prices may be necessary to estimate fair value. The Corporation adopted this guidance for the interim reporting period ending March 31, 2009 and it did not have a material impact on the Corporation's consolidated financial position or results of operations.

SAB 111 — In April 2009, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 111 ("SAB 111"). SAB 111 amends Topic 5.M in the Staff Accounting Bulletin series entitled Other Than Temporary Impairment of Certain Investments in Debt and Equity Securities. On April 9, 2009, the FASB issued new guidance impacting FASB ASC 320-10, Investments — Debt and Equity Securities (FASB Staff Position No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments). SAB 111 maintains the previous views related to equity securities and amends Topic 5.M to exclude debt securities from its scope. SAB 111 was effective for the Corporation as of March 31, 2009. There was no material impact to the Corporation's consolidated financial position or results of operations upon adoption.

SAB 112 — In June 2009, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 112 ("SAB 112"). SAB 112 revises or rescinds portions of the interpretative guidance included in the Staff Accounting Bulletin series in order to make the interpretative guidance consistent with the recent pronouncements by the FASB, specifically FASB ASC 805 and FASB ASC 810-10 (SFAS No. 141® and SFAS No. 160). SAB 112 was effective for the Corporation as of June 30, 2009. There was no material impact to the Corporation's consolidated financial position or results of operations upon adoption.

FASB ASC 323 — In November 2008, the FASB Emerging Issues Task Force reached a consensus on FASB ASC 323, Investments — Equity Method and Joint Ventures (Issue No. 08-6, Equity Method Investment Accounting Considerations). The new guidance clarifies the accounting for certain transactions and impairment considerations involving equity method investments. An equity investor shall not separately test an investee's underlying assets for impairment but will recognize its share of any impairment charge recorded by an investee in earnings and consider the effect of the impairment on its investment. An equity investor shall account for a share issuance by an investee as if the investor had sold a proportionate share of its investment, with any gain or loss recognized in earnings. The new guidance became effective for the Corporation on January 1, 2009 and did not have a material impact on the Corporation's consolidated financial position or results of operations.

FASB ASC 350 — In November 2008, the FASB Emerging Issues Task Force reached a consensus on FASB ASC 350, Intangibles — Goodwill and Other (Issue No. 08-7, Accounting for Defensive Intangible Assets). The new guidance clarifies how to account for defensive intangible assets subsequent to initial measurement. The guidance applies to acquired intangible assets in situations in which an entity does not intend to actively use an asset but intends to hold the asset to prevent others from obtaining access to the asset. A defensive intangible asset should be accounted for as a separate unit of accounting with an expected life that reflects the consumption of the expected benefits related to the asset. The benefit from holding a defensive intangible asset is the direct and indirect cash flows resulting from the entity preventing others from using the asset. The new guidance was effective for intangible assets acquired on or after January 1, 2009 and did not have a material impact on the Corporation's consolidated financial position or results of operations.

FASB ASC 260-10 — In June 2008, the FASB issued new guidance impacting FASB ASC 260-10, Earnings Per Share (FSP No. EITF 03-06-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities). This new guidance concluded that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders and therefore are considered participating securities for purposes of computing earnings per share. Entities that have participating securities that are not convertible into common stock are required to use the "two-class" method of computing earnings per share. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. This new guidance was effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. This new guidance became effective for the Corporation on January 1, 2009 and did not have a material impact on the Corporation's consolidated financial position or results of operations.

FASB ASC 820-10 — In August 2009, the FASB issued an update (ASC No. 2009-05, Measuring Liabilities at Fair Value) impacting FASB ASC 820-10, Fair Value Measurements and Disclosures. The update provides clarification about measuring liabilities at fair value in circumstances where a quoted price in an active market for an identical liability is not available and the valuation techniques that should be used. The update also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. This update became effective for the Corporation for the reporting period ending September 30, 2009 and did not have a material impact on the Corporation's consolidated financial position or results of operations.

FASB ASC 820-10 — In September 2009, the FASB issued an update (ASC No. 2009-12, Investments in Certain Entities That Calculate Net Asset Value per Share (or its equivalent)) impacting FASB ASC 820-10, Fair Value Measurements and Disclosures. The amendments in this update permit, as a practical expedient, a reporting entity to measure the fair value of an investment that is within the scope of the amendments in this update on the basis of the net asset value per share of the investment (or its equivalent) if the net asset value of the investment is calculated in a manner consistent with the measurement principles of Topic 946, Financial Services-Investment Companies. The amendments in this update also require disclosures by major category of investment about the attributes of investments within the scope of the amendments in this update, such as the nature of any restrictions on the ability to redeem an investment on the measurement date. This update becomes effective for the Corporation for interim and annual reporting periods ending after December 15, 2009. The Corporation is currently evaluating the impact of adopting the new guidance on the consolidated financial statements, but it is not expected to have a material impact.

FASB ASC 505-20 — In January 2010, the FASB issued an update (ASC No. 2010-01, Accounting for Distributions to Shareholders with Components of Stock and Cash) impacting FASB ASC 505-20, Equity - Stock Dividends and Stock Splits. The amendments in this update clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in earnings per share and is not a stock dividend. This update became effective for the Corporation for interim and annual periods ending after December 15, 2009 and did not have a material impact on the Corporation’s consolidated financial position or results of operations.

FASB ASC 810-10 — In January 2010, the FASB issued an update (ASC No. 2010-02, Accounting and Reporting for Decreases in Ownership of a Subsidiary - a Scope Clarification) impacting FASB ASC 810-10, Consolidation. The amendments in this update address implementation issues related to the changes of ownership provisions originally issued as FASB Statement 160. It also improves the disclosures related to retained investments in a deconsolidated subsidiary or a preexisting interest held by an acquirer in a business combination. This update became effective for the Corporation for interim and annual periods ending after December 15, 2009 and did not have a material impact on the Corporation’s consolidated financial position or results of operations.

FASB ASC 820-10 — In January 2010, the FASB issued an update (ASC No. 2010-06, Improving Disclosures about Fair Value Measurements) impacting FASB ASC 820-10, Fair Value Measurements and Disclosures. The amendments in this update require new disclosures about significant transfers in and out of Level 1 and Level 2 fair value measurements. The amendments also require a reporting entity to provide information about activity for purchases, sales, issuances and settlements in level 3 fair value measurements and clarify disclosures about the Level of disaggregation and disclosures about inputs and valuation techniques. This update becomes effective for the Corporation for interim and annual reporting periods beginning after December 15, 2009. The Corporation is currently evaluating the impact of adopting the new guidance on the consolidated financial statements.

Advertising Costs

It is the Corporation's policy to expense advertising costs in the period in which they are incurred. Advertising expense for the years ended December 31, 2009, 2008 and 2007, was approximately $267,000, $316,000 and $349,000, respectively.

Subsequent Events

Management has evaluated subsequent events for reporting and disclosure in these financial statements through March 12, 2010, the date the financial statements were issued. No material subsequent events have occurred since December 31, 2009 that require recognition or disclosure in the consolidated financial statements.

Reclassifications

Certain amounts in the consolidated financial statements of prior periods have been reclassified to conform with presentation used in the 2009 consolidated financial statements. Such reclassifications have no effect on the Corporation's consolidated financial condition or net income.

NOTE 2 — ACQUISITIONS

Effective November 1, 2007, the Corporation completed its acquisition of Pocono Community Bank. Under the terms of the Agreement and Plan of Merger dated as of May 10, 2007, Pocono was acquired by First Keystone Corporation and merged with and into First Keystone National Bank, its wholly owned subsidiary. Headquartered and founded in Stroudsburg, Pennsylvania in 1996, Pocono had 4 banking offices located in Monroe County, Pennsylvania. The acquisition expands the branch network that the Corporation has and its opportunity to provide Pocono customers with a broader mix of products and services. As part of the merger agreement, Pocono continues to operate under the Pocono name and logo, and has become a division of the Bank. The Corporation acquired 100% of the outstanding shares of Pocono for a total purchase price of $33.565 million. The transaction was accounted for in accordance with FASB ASC 805 Business Combinations (SFAS No. 141, "Business Combinations"). In connection therewith, 1,042,266 Pocono shares were exchanged for 932,203 shares of the Corporation's common stock and 703,684 Pocono shares were exchanged for cash consideration totaling $11.329 million. Pocono options of 63,785 and warrants of 396,134 were exchanged for cash consideration of $5.034 million. The allocation of the Corporation's common stock and cash was such that the Pocono shareholders did not recognize gain or loss for federal income tax purposes on those Pocono shares that were exchanged for the Corporation's common stock in the merger. Pocono's results of operations are included in the Corporation's results from the date of acquisition, November 1, 2007 to December 31, 2007.

Assets and liabilities of Pocono are recorded at estimated fair values as of the acquisition date and the results of Pocono's operations included in income from November 1, 2007 to December 31, 2007. The fair values of acquired assets and liabilities, including identifiable intangible assets, are finalized as quickly as possible following an acquisition. The purchase price allocations are complete.

47

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

The following table shows the excess purchase price over carrying value of net assets acquired, purchase price allocation and resulting goodwill recorded for this acquisition:

(Amounts in thousands)

| | |
|---|---|
| Purchase price | $ 33,565 |
| Carrying value of net assets acquired | (14,329) |
| Excess of purchase price over carrying value of net assets acquired | 19,236 |
| Purchase accounting adjustments: | |
| Investment securities | 182 |
| Loans | 1,101 |
| Premises and equipment | (148) |
| Deposits | 167 |
| Borrowings | 97 |
| Severance and related costs | (877) |
| Deferred taxes | 232 |
| Subtotal | 19,990 |
| Core deposit intangibles | (2,081) |
| Goodwill | $ 17,909 |

The following table summarized the estimated fair value of net assets acquired:

(Amounts in thousands)

| | | |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ | 1,387 |
| Interest-bearing deposits in other banks | | 68 |
| Federal funds sold | | 2,488 |
| Investment securities | | 13,122 |
| Loans, net of allowances for loan losses | | 104,752 |
| Premises and equipment-net | | 3,292 |
| Accrued interest receivable | | 596 |
| Cash surrender value of bank-owned life insurance | | 2,950 |
| Goodwill and other intangibles | | 19,838 |
| Other assets | | 1,065 |
| Total Assets | $ | 149,558 |
| | | |
| Liabilities | | |
| Deposits | $ | 109,672 |
| Borrowings | | 5,908 |
| Other liabilities | | 413 |
| Total Liabilities | $ | 115,993 |
| | | |
| Fair Value of Net Assets Acquired | $ | 33,565 |

48

The following unaudited pro forma consolidated financial information presents the combined results of operations of the Corporation as if the Pocono acquisition had occurred as of the beginning of 2007 and 2006, respectively:

| (Dollars in thousands, except per share amounts) | For the Year Ended 2007 | 2006 |
|---|---|---|
| Net interest income | $ 17,100 | $ 17,182 |
| Provision for loan losses | 206 | 580 |
| Net interest income after provision for loan losses | 16,894 | 16,602 |
| Noninterest income | 4,658 | 4,245 |
| Noninterest expense | 13,575 | 12,897 |
| Income before income tax expense | 7,977 | 7,950 |
| Income tax expense | 1,206 | 1,415 |
| Net Income | $ 6,771 | $ 6,535 |
| | | |
| Net Income Per Common Share | | |
| Basic | $ 1.21 | $ 1.19 |
| Diluted | $ 1.21 | $ 1.19 |
| | | |
| Average Common Shares Outstanding | | |
| Basic | 5,606,316 | 5,503,359 |
| Diluted | 5,611,990 | 5,509,996 |

The pro forma results include amortization of fair value adjustments on loans, deposits, and debt, and amortization of newly acquired intangibles. The pro forma number of average common shares outstanding includes adjustments for shares issued for the acquisitions and the impact of additional dilutive securities but does not assume any incremental share repurchases. The pro forma results presented do not reflect cost savings or revenue enhancements anticipated from the acquisition and are not necessarily indicative of what actually would have occurred if the acquisition had been completed as of the beginning of the periods presented, nor are they necessarily indicative of future consolidated results.

## NOTE 3 — RESTRICTED CASH BALANCES

The Bank is required to maintain certain average reserve balances as established by the Federal Reserve Bank. The amount of those reserve balances for the reserve computation period which included December 31, 2009, was $1,505,000, which was satisfied through the restriction of vault cash. In addition, the Bank maintains a clearing balance at the Federal Reserve Bank to offset specific charges for services. At December 31, 2009, the amount of this balance was $5,185,000.

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

NOTE 4 — INVESTMENT SECURITIES

The amortized cost, related estimated fair value, and unrealized gains and losses for investment securities classified as "Available-For-Sale" or "Held-to-Maturity" were as follows at December 31, 2009 and 2008:

| (Amounts in thousands) | Available-for-Sale Securities | | | |
|---|---|---|---|---|
| December 31, 2009: | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Obligations of U.S. Government Corporations and Agencies: | | | | |
| Mortgage-backed | $ 52,730 | $ 1,074 | $ (575) | $ 53,229 |
| Other | 6,044 | 155 | (6) | 6,193 |
| Obligations of state and political subdivisions | 168,563 | 1,650 | (7,613) | 162,600 |
| Corporate securities | 44,262 | 1,651 | (9) | 45,904 |
| Marketable equity securities | 2,027 | 187 | (455) | 1,759 |
| Restricted equity securities | 8,139 | — | — | 8,139 |
| Total | $ 281,765 | $ 4,717 | $ (8,658) | $ 277,824 |

| (Amounts in thousands) | Held-to-Maturity Securities | | | |
|---|---|---|---|---|
| December 31, 2009: | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Obligations of U.S. Government Corporations and Agencies: | | | | |
| Mortgage-backed | $ 159 | $ 2 | $ — | $ 161 |
| Other | 3,000 | 11 | (34) | 2,977 |
| Obligations of state and political subdivisions | 1,815 | 2 | (19) | 1,798 |
| Total | $ 4,974 | $ 15 | $ (53) | $ 4,936 |

| (Amounts in thousands) | Available-for-Sale Securities | | | |
|---|---|---|---|---|
| December 31, 2008: | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Obligations of U.S. Government Corporations and Agencies: | | | | |
| Mortgage-backed | $ 64,966 | $ 2,032 | $ — | $ 66,998 |
| Other | 11,011 | 335 | — | 11,346 |
| Obligations of state and political subdivisions | 142,805 | 308 | (9,652) | 133,461 |
| Corporate securities | 19,650 | 198 | (67) | 19,781 |
| Marketable equity securities | 2,605 | 253 | (947) | 1,911 |
| Restricted equity securities | 6,678 | — | — | 6,678 |
| Total | $ 247,715 | $ 3,126 | $ (10,666) | $ 240,175 |

50

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

| (Amounts in thousands) | | Held-to-Maturity Securities | | |
|---|---|---|---|---|
| December 31, 2008: | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Obligations of U.S. Government Corporations and Agencies: | | | | |
| Mortgage-backed | $ 176 | $ — | $ (3) | $ 173 |
| Other | — | — | — | — |
| Obligations of state and political subdivisions | 2,814 | 4 | (85) | 2,733 |
| Total | $ 2,990 | $ 4 | $ (88) | $ 2,906 |

Securities Available-for-Sale with an aggregate fair value of $150,703,000 in 2009 and $140,811,000 in 2008; and securities Held-to-Maturity with an aggregate book value of $2,507,000 in 2009 and $2,523,000 in 2008, were pledged to secure public funds, trust funds, securities sold under agreements to repurchase, FHLB advances and other balances of $76,257,000 in 2009 and $57,231,000 in 2008 as required by law.

The amortized cost, estimated fair value and weighted average yield of debt securities, by contractual maturity, are shown below at December 31, 2009. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(Amounts in thousands)

| | December 31, 2009 | | | | |
|---|---|---|---|---|---|
| | U.S. Government Agency & Corporation Obligations1 | Obligations of State & Political Subdivisions2 | Marketable Equity Securities3 | Restricted Equity Securities3 | Corporate Securities |
| Available-For-Sale: | | | | | |
| Within 1 Year: | | | | | |
| Amortized cost | $ 100 | $ — | $ — | $ — | $ 6,123 |
| Estimated fair value | 103 | — | — | — | 6,217 |
| Weighted average yield | 4.70% | — | — | — | 4.46% |
| 1 - 5 Years: | | | | | |
| Amortized cost | 2,000 | 454 | — | — | 35,829 |
| Estimated fair value | 2,003 | 468 | — | — | 37,363 |
| Weighted average yield | 2.20% | 4.02% | — | — | 4.49% |
| 5 - 10 Years: | | | | | |
| Amortized cost | 4,477 | 1,684 | — | — | 2,310 |
| Estimated fair value | 4,638 | 1,727 | — | — | 2,323 |
| Weighted average yield | 4.57% | 4.26% | — | — | 1.79% |
| After 10 | | | | | |
| Amortized cost | 52,197 | 166,425 | 2,027 | 8,139 | — |
| Estimated fair value | 52,678 | 160,406 | 1,759 | 8,139 | — |
| Weighted average yield | 4.68% | 5.20% | 2.65% | .94% | — |
| Total: | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Amortized cost | $ 58,774 | $ 168,563 | $ 2,027 | $ 8,139 | $ 44,262 |
| Estimated fair value | 59,422 | 162,601 | 1,759 | 8,139 | 45,903 |
| Weighted average yield | 4.59% | 5.19% | 2.65% | .94% | 4.34% |

1Mortgage-backed securities are allocated for maturity reporting at their original maturity date.
2Average yields on tax-exempt obligations of state and political subdivisions have been computed on a tax-equivalent basis using a 34% tax rate.
3Marketable equity securities and restricted equity securities are not considered to have defined maturities and are included in the after ten year category.

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

(Amounts in thousands)

| | December 31, 2009 | | | | |
|---|---|---|---|---|---|
| | U.S. Government Agency & Corporation Obligations1 | Obligations of State & Political Subdivisions2 | Marketable Equity Securities3 | Restricted Equity Securities3 | Corporate Securities |
| Held-To-Maturity: | | | | | |
| Within 1 Year: | | | | | |
| Amortized cost | $ — | $ — | $ — | $ — | $ — |
| Estimated fair value | — | — | — | — | — |
| Weighted average yield | — | — | — | — | — |
| 1 - 5 Years: | | | | | |
| Amortized cost | 2,000 | 1,348 | — | — | — |
| Estimated fair value | 1,966 | 1,339 | — | — | — |
| Weighted average yield | 2.04% | 3.97% | — | — | — |
| 5 - 10 Years: | | | | | |
| Amortized cost | 1,159 | — | — | — | — |
| Estimated fair value | 1,172 | — | — | — | — |
| Weighted average yield | 3.80% | — | — | — | — |
| After 10 Years: | | | | | |
| Amortized cost | — | 467 | — | — | — |
| Estimated fair value | — | 459 | — | — | — |
| Weighted average yield | — | 4.85% | — | — | — |
| Total: | | | | | |
| Amortized cost | $ 3,159 | $ 1,815 | $ — | $ — | $ — |
| Estimated fair value | 3,138 | 1,798 | — | — | — |
| Weighted average yield | 2.69% | 4.20% | — | — | — |

1Mortgage-backed securities are allocated for maturity reporting at their original maturity date.
2Average yields on tax-exempt obligations of state and political subdivisions have been computed on a tax-equivalent basis using a 34% tax rate.
3Marketable equity securities and restricted equity securities are not considered to have defined maturities and are included in the after ten year category.

There were no aggregate investments with a single issuer (excluding the U.S. Government and its agencies) which exceeded ten percent of consolidated shareholders' equity at December 31, 2009. The quality rating of the obligations of state and political subdivisions are generally investment grade, as rated by Moody's or Standard and Poors. The typical exceptions are local issues which are not rated, but are secured by the full faith and credit obligations of the communities that issued these securities. The state and political subdivision investments are actively traded in a liquid market.

Proceeds from sale of investments in Available-for-Sale debt and equity securities during 2009, 2008 and 2007 were $82,407,000, $83,626,000 and $83,255,000, respectively. Gross gains realized on these sales were $1,721,000, $737,000 and $1,117,000, respectively. Gross losses on these sales were $1,859,000, $885,000 and $631,000, respectively. Included in gross losses in 2008 is an impairment loss on certain equity securities in the amount of $437,000. There were no impairment losses in 2009.

Proceeds from sale of investments in Held-To-Maturity debt and equity securities during 2009, 2008, and 2007 were $0, $0 and $375,000, respectively.  Gross losses on these sales were $0, $0 and $3,000, respectively and there were no gains realized during these periods.

Management evaluates securities for other-than-temporary impairment (“OTTI”) at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. Investment securities classified as available-for-sale or held-to-maturity are generally evaluated for OTTI under FASB ASC 320 (SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities). In determining OTTI under the FASB 320 (SFAS No. 115) model, management considers many factors, including (1) the length of time and the extent to which the fair value has been less than cost , (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions; and (4) whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgement and is based on the information available to management at a point in time.

When other-than-temporary impairment occurs, the amount of the other-than-temporary impairment recognized in earnings depends on whether an entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss. If an entity intends to sell or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment shall be recognized in earnings equal to the entire difference between the investment’s amortized cost basis and its fair value at the balance sheet date. If an entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis less any current-period loss, the other-than-temporary impairment shall be separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the total other-than-temporary impairment related to the other factors shall be recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less the other-than-temporary impairment recognized in earnings shall become the new amortized cost basis of the investment.

The fair market value of the equity securities tends to fluctuate with the overall equity markets as well as the trends specific to each institution. The equity securities portfolio is reviewed in a similar manner as that of the debt securities with greater emphasis placed on the length of time the market value has been less than the carrying value and the financial sector outlook. The Corporation also reviews dividend payment activities, levels of non-performing assets and loan loss reserves, and whether or not the issuer is participating in the TARP Capital Purchase Program. The starting point for the equity analysis is the length and severity of market value decline. The Corporation and an independent consultant monitor the entire portfolio monthly with particular attention given to securities in a continuous loss position of at least ten percent for over twelve months. During 2008, impairment was recognized on several securities which management believed that a sufficient amount of credit damage had occurred relative to the issuer’s capital position to render the security unlikely to recover to our cost within the near term. For the year ended December 31, 2008, the Corporation recorded an other-than-temporary loss totaling $437,000 related to the investment in equity securities. Securities with an unrealized loss that were determined to be other-than-temporary were written down to fair value, with the write-down recorded as a realized loss included in security (losses) gains. The Corporation evaluated the near-term prospects of the issuer in relation the severity and duration of the market value decline as well as the other attributes listed above. Based on that evaluation and the Corporation’s ability and intent to hold these equity securities for a reasonable period of time sufficient for a forecasted recovery of fair value, the Corporation does not consider these equity securities to be other-than-temporary impaired at December 31, 2008. Based on the factors described above, management did not consider any equity securities to be other-than-temporary impaired at December 31, 2009.

In accordance with disclosures required by FASB ASC 320-10-50 Investments-Debt and Equity Securities Disclosures (EITF No. 03-1), the summary below shows the gross unrealized losses and fair value of the Bank's investments, aggregated by investment category, that individual securities have been in a continuous unrealized loss position for less than 12 months or more than 12 months as of December 31, 2009 and 2008:

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

December 31, 2009

| (Amounts in thousands) | Less Than 12 Months Fair Value | Less Than 12 Months Unrealized Loss | 12 Months or More Fair Value | 12 Months or More Unrealized Loss | Total Fair Value | Total Unrealized Loss |
|---|---|---|---|---|---|---|
| Direct obligations of the U.S. Government | $ 2,961 | $ 39 | $ — | $ — | $ 2,961 | $ 39 |
| Federal Agency Backed Securities | 31,545 | 575 | — | — | 31,545 | 575 |
| Municipal Bonds | 48,858 | 1,483 | 37,530 | 6,150 | 86,388 | 7,633 |
| Corporate Securities | 1,062 | 9 | — | — | 1,062 | 9 |
| Equities | 148 | 19 | 1,111 | 436 | 1,259 | 455 |
| | $ 84,574 | $ 2,125 | $ 38,641 | $ 6,586 | $ 123,215 | $ 8,711 |

December 31, 2008

| (Amounts in thousands) | Less Than 12 Months Fair Value | Less Than 12 Months Unrealized Loss | 12 Months or More Fair Value | 12 Months or More Unrealized Loss | Total Fair Value | Total Unrealized Loss |
|---|---|---|---|---|---|---|
| Direct obligations of the U.S. Government | $ — | $ — | $ — | $ — | $ — | $ — |
| Federal Agency Backed Securities | — | — | 173 | 2 | 173 | 2 |
| Municipal Bonds | 104,558 | 7,963 | 6,512 | 1,774 | 111,070 | 9,737 |
| Corporate Securities | 7,039 | 68 | — | — | 7,039 | 68 |
| Equities | 428 | 119 | 728 | 828 | 1,156 | 947 |
| | $ 112,025 | $ 8,150 | $ 7,413 | $ 2,604 | $ 119,438 | $ 10,754 |

The Corporation invests in various forms of agency debt including mortgage backed securities and callable debt. The mortgage backed securities are issued by FHLMC (Federal Home Loan Mortgage Corporation) of FNMA (Federal National Mortgage Association). The municipal securities consist of general obligations and revenue bonds. The equity securities consist of stocks in other bank holding companies. The fair market value of the above securities is influenced by market interest rates, prepayment speeds on mortgage securities, bid to offer spreads in the market place and credit premiums for various types of agency debt. These factors change continuously and therefore the market value of these securities may be higher or lower that the Corporation's carrying value at any measurement date. Management does not believe any of their 157 securities in an unrealized position as of December 31, 2009 represents an other-than-temporary impairment. The Corporation has the ability to hold the remaining securities contained in the above table for a time necessary to recover the cost.

Securities with an unrealized loss that are determined to be other-than-temporary are written down to fair value, with the write-down recorded as a realized loss included in securities gains (losses). During 2008, the Corporation recorded an other-than-temporary impairment loss totaling $437,000 related to investments in certain equity securities.

Assets Measured at Fair Value on a Recurring Basis

The Corporation measures certain assets at fair value on a recurring basis. Fair value is defined as a price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

A. Level 1: Fair value is based on unadjusted quoted prices in active markets that are accessible to the Bank for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.
B. Level 2: Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market date. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices that are not active for identical or similar assets and other observable inputs.
C. Level 3: Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

At December 31, 2009 investments measured at fair value on a recurring basis and the valuation methods used are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Available for Sale Securities | | | | |
| Obligations of US Government Agencies | | | | |
| Mortgaged-backed | $ — | $ 53,229 | $ — | $ 53,229 |
| Other | — | 6,193 | — | 6,193 |
| Obligations of state and political subdivisions | — | 162,600 | — | 162,600 |
| Corporate securities | — | 45,904 | — | 45,904 |
| Equity securities | 1,759 | — | — | 1,759 |
| Restricted equity securities | — | 8,139 | — | 8,139 |
| | $ 1,759 | $ 276,065 | $ — | $ 277,824 |

The estimated fair values of equity securities classified as Level 1 are derived from quoted market prices in active markets; these assets consist mainly of stocks held in other banks. The estimated fair values of all debt securities classified as Level 2 are obtained from nationally-recognized third-party pricing agencies. The estimated fair values are derived primarily from cash flow models, which include assumptions for interest rates, credit losses, and prepayment speeds. The significant inputs utilized in the cash flow models are based on market data obtained from sources independent of the Bank (observable inputs), and are therefore classified as Level 2 within the fair value hierarchy.

NOTE 5 — LOANS

Major classifications of loans at December 31, 2009 and 2008 consisted of:

(Amounts in thousands)

| | 2009 | 2008 |
|---|---|---|
| Commercial, Financial, and Agricultural | $ 38,932 | $ 33,104 |
| Tax-exempt | 12,525 | 18,920 |
| Real estate mortgages - Held-for-sale | 10,429 | 3,613 |
| Real estate mortgages - Consumer | 127,663 | 132,675 |
| Real estate mortgages - Commercial | 207,296 | 206,095 |
| Consumer | 10,802 | 15,291 |
| Gross loans | $ 407,647 | $ 409,698 |

| | | |
|---|---|---|
| Add (deduct): Unearned discount | (1,273) | (1,711) |
| Net deferred loan fees and costs | 323 | 380 |
| Loans, net of unearned income | $ 406,697 | $ 408,367 |

55

Changes in the allowance for loan losses for the years ended December 31, 2009, 2008 and 2007, were as follows:

(Amounts in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Balance, January 1 | $ 5,195 | $ 5,046 | $ 3,671 |
| Provision charged to operations | 800 | 700 | 150 |
| Loans charged off | (734) | (739) | (236) |
| Recoveries | 61 | 188 | 179 |
| Allowance purchased | — | — | 1,282 |
| Balance, December 31 | $ 5,322 | $ 5,195 | $ 5,046 |

Non-accrual loans at December 31, 2009, 2008 and 2007 were $2,948,000, $1,718,000 and $3,208,000, respectively. The gross interest that would have been recorded if these loans had been current in accordance with their original terms and the amounts actually recorded in income were as follows:

(Amounts in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Gross interest due under terms | $ 242 | $ 145 | $ 258 |
| Amount included in income | (61) | (94) | (144) |
| Interest income not recognized | $ 181 | $ 51 | $ 114 |

At December 31, 2009, 2008 and 2007 the recorded investment in impaired loans as defined by FASB ASC 310-10-35 Receivables Subsequent Measurements (SFAS 114) was $2,948,000, $1,718,000 and $3,208,000 and the impaired loans allowances were $834,000, $417,000 and $492,000, respectively at December 31, 2009, 2008 and 2007. The average recorded balance in impaired loans during the year ended December 31, 2009, 2008 and 2007 was approximately $2,803,000, $4,246,000 and $1,837,000, respectively.

Loans past-due 90 days or more and still accruing interest were $140,000 at December 31, 2009 and $15,000 at December 31, 2008.

At December 31, 2009, there were no significant commitments to lend additional funds with respect to non-accrual and restructured loans.

From time to time, the Bank may agree to modify the contractual terms of a borrower's loan. In cases where such modifications represent a concession to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring. Loans modified in a troubled debt restructuring are placed on non-accrual status until the Bank determines the future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate a period of performance according to the restructured terms of six months. At December 31, 2009, there were no loans classified as troubled debt restructurings.

## NOTE 6 — MORTGAGE SERVICING RIGHTS

The mortgage loans sold serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others were $56,965,000 and $47,303,000 at December 31, 2009 and 2008, respectively. The balances of amortized capitalized mortgage servicing rights, included in other assets at December 31, 2009 and 2008, were $346,000 and $277,000, respectively.

56

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

The following summarizes mortgage servicing rights capitalized and amortized along with the aggregate activity in the related valuation allowances:

(Amounts in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Balance, January 1 | $ 277 | $ 297 | $ 254 |
| Servicing asset additions | 148 | 63 | 103 |
| Amortization | (79) | (83) | (60) |
| Balance, December 31 | $ 346 | $ 277 | $ 297 |

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately $24,000 and $32,000 at December 31, 2009 and 2008, respectively.

## NOTE 7 — PREMISES AND EQUIPMENT

A summary of premises and equipment at December 31, 2009 and 2008 follows:

(Amounts in thousands)

| | 2009 | 2008 |
|---|---|---|
| Land | $ 1,746 | $ 1,746 |
| Buildings | 9,815 | 8,822 |
| Leasehold improvements | 390 | 391 |
| Equipment | 8,153 | 6,146 |
| | 20,104 | 17,105 |
| Less: Accumulated depreciation | 8,639 | 7,936 |
| Total | $ 11,465 | $ 9,169 |

Depreciation amounted to $727,000 for 2009, $681,000 for 2008 and $472,000 for 2007.

The banking subsidiary leases land and a bank building in Stroudsburg, Pennsylvania, under a lease expiring in 2017 (See Note 15). Included in buildings above is the bank building held under a capital lease with a cost of $953,000 and accumulated amortization of $576,000 and $528,000 at December 31, 2009 and 2008, respectively. Amortization on the bank building held under the capital lease was $47,000 for each of the years ended December 31, 2009 and 2008.

## NOTE 8 — GOODWILL, OTHER INTANGIBLE ASSETS, AND PREMIUM DISCOUNTS

Goodwill, other intangible assets, and premium discounts were comprised of the following at December 31, 2009 and 2008:

(Amounts in thousands)

| | Gross Carrying Amount | | Accumulated Amortization/(Accretion) | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Unamortized intangible asset: | | | | |
| Goodwill | $ 19,133 | $ 19,133 | $ — | $ — |

| | | | | |
|---|---|---|---|---|
| Core deposit intangibles | $ 2,218 | $ 2,218 | $ 688 | $ 399 |
| Premium discount (negative premium) on acquired certificates of deposit | $ (385) | $ (385) | $ (383) | $ (362) |

57

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

Amortization expense of the core deposit intangibles was $289,000, $289,000 and $61,000 for the years ended December 31, 2009, 2008 and 2007, respectively. Accretion of the premium discount (negative premium) of the acquired certificates of deposit was $21,000, $109,000 and $36,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

Estimated amortization/accretion is as follows for the years ending December 31:

(Amounts in thousands)

| | Amortization of Core Deposit Intangible | Accretion of Premium Discount (Negative Premium) on Certificates of Deposit |
|---|---|---|
| 2010 | 289 | (2) |
| 2011 | 289 | — |
| 2012 | 283 | — |
| 2013 | 273 | — |
| 2014 | 273 | — |

NOTE 9 — DEPOSITS

Major classifications of deposits at December 31, 2009 and 2008 consisted of:

(Amounts in thousands)

| | 2009 | 2008 |
|---|---|---|
| Demand - non-interest bearing | $ 61,779 | $ 58,178 |
| Demand - interest bearing | 117,229 | 83,912 |
| Savings | 116,857 | 94,700 |
| Time, $100,000 and over | 96,335 | 87,259 |
| Other time | 188,369 | 180,584 |
| Total deposits | $ 580,569 | $ 504,633 |

The following is a schedule reflecting classification and remaining maturities of time deposits of $100,000 and over at December 31, 2009:

(Amounts in thousands)

| | |
|---|---|
| 2010 | $ 65,866 |
| 2011 | 15,567 |
| 2012 | 8,139 |
| 2013 | 5,120 |
| 2014 | 1,643 |
| | $ 96,335 |

Interest expense related to time deposits of $100,000 or more was $2,741,000 in 2009, $3,408,000 in 2008 and $2,520,000 in 2007.

In November 2007, approximately $109,672,000 of deposit accounts were assumed through the acquisition of Pocono Community Bank (See Notes 2 and 13).

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

NOTE 10 — SHORT-TERM BORROWINGS

Federal funds purchased, securities sold under agreements to repurchase and Federal Home Loan Bank advances generally represent overnight or less than 30-day borrowings. U.S. Treasury tax and loan notes for collections made by the Bank are payable on demand. Short-term borrowings consisted of the following at December 31, 2009 and 2008:

| (Amounts in thousands) | 2009 | | | |
|---|---|---|---|---|
| | Ending Balance | Average Balance | Maximum Month End Balance | Average Rate |
| Federal funds purchased and securities sold under agreements to repurchase | $ 17,024 | $ 19,385 | $ 23,000 | 1.75% |
| Federal Home Loan Bank | — | 4,479 | 31,350 | .72% |
| U.S. Treasury tax and loan notes | 438 | 440 | 907 | —% |
| Total | $ 17,462 | $ 24,304 | $ 55,257 | 1.53% |

| (Amounts in thousands) | 2008 | | | |
|---|---|---|---|---|
| | Ending Balance | Average Balance | Maximum Month End Balance | Average Rate |
| Federal funds purchased and securities sold under agreements to repurchase | $ 20,572 | $ 18,245 | $ 26,279 | 2.62% |
| Federal Home Loan Bank | 32,200 | 11,265 | 32,500 | 1.59% |
| U.S. Treasury tax and loan notes | 2,560 | 618 | 2,559 | 1.82% |
| Total | $ 55,332 | $ 30,128 | $ 61,338 | 1.84% |

NOTE 11 — LONG-TERM BORROWINGS

Long-term borrowings are comprised of advances from the Federal Home Loan Bank (FHLB) and a capital lease assumed as a result of the acquisition of Pocono Community Bank in the amount of $811,000. Long term capital lease scheduled maturities as of December 31, 2009 are: $54,000 in 2010, $60,000 in 2011, $67,000 in 2012, and $524,000 thereafter for a total balance of $705,000 as of December 31, 2009.

Under terms of a blanket agreement, collateral for the loans is secured by certain qualifying assets of the Corporation's banking subsidiary with FHLB. The principal assets are real estate mortgages with a carrying value of $330,498,000.

A schedule of long-term borrowings by maturity as of December 31, 2009 and 2008 follows:

| (Amounts in thousands) | 2009 | 2008 |
|---|---|---|
| Due 2009, 3.87% to 5.01% | $ — | 12,000 |
| Due 2010, 4.95% to 6.76% | 23,520 | 23,556 |
| Due 2011, 2.73% to 5.03% | 12,000 | 12,000 |
| Due 2012, 1.44% to 4.93% | 16,000 | 10,000 |

| | | | | |
|---|---|---|---|---|
| Due 2013, 2.48% to 4.60% | | 17,000 | | 10,000 |
| Due 2014, 5.41% | | 3,750 | | 3,750 |
| Due 2018, 3.91% to 4.86% | | 8,000 | | 8,000 |
| Due 2028, 5.14% | | 2,000 | | 2,000 |
| | $ | 82,270 | $ | 81,306 |

59

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

## NOTE 12 — INCOME TAXES

The current and deferred components of the income tax provision (benefit) consisted of the following:

(Amounts in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Federal | | | |
| Current | $ 1,484 | $ 1,865 | $ 1,456 |
| Deferred (benefit) | (177) | (419) | (104) |
| | $ 1,307 | $ 1,446 | $ 1,352 |
| State | | | |
| Current | (40) | — | 39 |
| Deferred | 12 | (52) | — |
| | $ (28) | $ (52) | $ 39 |
| | | | |
| Total provision for income taxes | $ 1,279 | $ 1,394 | $ 1,391 |

The following is a reconciliation between the actual provision for federal income taxes and the amount of federal income taxes which would have been provided at the statutory rate of 34%:

| (Amounts in thousands) | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|
| | Amount | Rate | Amount | Rate | Amount | Rate |
| Provision at statutory rate | $ 3,133 | 34.0 | $ 3,041 | 34.0% | $ 2,556 | 34.0% |
| Tax-exempt income | (1,463) | (15.9) | (1,397) | (15.6) | (1,060) | (14.1) |
| Non-deductible expenses | 147 | 1.6 | 177 | 2.0 | 165 | 2.2 |
| Tax credit from limited partnership | | | | | | |
| Less amortization - net | (134) | (1.5) | (136) | (1.5) | (79) | (1.1) |
| Bank owned life insurance income - net | (337) | (3.7) | (240) | (2.7) | (190) | (2.5) |
| Other-net | (39) | (.3) | 1 | — | (40) | (.5) |
| Applicable federal income tax and rate | $ 1,307 | 14.2% | $ 1,446 | 16.2% | $ 1,352 | 18.0% |

Total federal income tax attributable to realized security gains and losses was $(47,000) in 2009, $98,000 in 2008 and $164,000 in 2007.

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

The deferred tax assets and liabilities resulting from temporary timing differences have been netted to reflect a net deferred tax asset (liability) included in other assets or other liabilities in these consolidated financial statements. The components of the net deferred tax asset (liability) at December 31, 2009 and 2008, are as follows:

(Amounts in thousands)

| | 2009 | 2008 |
|---|---|---|
| Deferred Tax Assets: | | |
| Allowance for loan losses | $ 1,791 | $ 1,742 |
| Deferred compensation | 435 | 412 |
| Mortgage servicing rights | 2 | — |
| Contributions | 6 | 5 |
| Non-accrual interest | 5 | 30 |
| Leases | 112 | 114 |
| Limited partnership | 100 | 70 |
| Alternative minimum tax credits | 356 | 84 |
| Tax credits from limited partnerships | 531 | 300 |
| Unrealized investment securities losses-net | 1,358 | 2,429 |
| Impairment loss on investment securities | 129 | 177 |
| Capital and net operating loss carry forwards | 8 | 23 |
| Total | $ 4,833 | $ 5,386 |
| Deferred Tax Liabilities: | | |
| Loan fees and costs | $ 205 | $ 211 |
| Depreciation | 550 | 271 |
| Accretion | 173 | 26 |
| Mortgage servicing rights | — | 4 |
| Intangibles | 392 | 452 |
| Total | $ 1,320 | $ 964 |
| Net Deferred Tax Asset | $ 3,513 | $ 4,422 |

It is anticipated that all deferred tax assets are to be realized and accordingly, no valuation allowance has been provided.

The Corporation and its subsidiary file a consolidated federal income tax return.

NOTE 13 — SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

During the years ended December 31, 2009, 2008 and 2007, cash payments for interest expense and income taxes were as follows:

(Amounts in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Interest paid on deposits and other borrowings | $ 15,874 | $ 18,268 | $ 17,448 |
| Income taxes paid | $ 1,650 | $ 1,598 | $ 1,752 |

The Corporation transferred loans to foreclosed assets held-for-sale in amounts of $762,000, $342,000 and $624,000 in 2009, 2008 and 2007, respectively.

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

Non-Cash Investing and Financing Activities

On November 1, 2007 First Keystone Corporation completed its acquisition of Pocono Community Bank (See Note 2). A summary of the estimated fair value of the non-cash assets acquired and the liabilities assumed at the date of acquisition were as follows:

(Amounts in thousands)

| | | |
|---|---|---|
| Assets Acquired: | | |
| Investment securities | $ | 13,122 |
| Loan, net of allowances for loan losses | | 104,752 |
| Premises and equipment-net | | 3,292 |
| Accrued interest receivable | | 596 |
| Cash surrender value of bank-owned life insurance | | 2,950 |
| Goodwill and other intangibles | | 19,838 |
| Other assets | | 1,065 |
| Total Assets Acquired | $ | 145,615 |
| | | |
| Liabilities Assumed: | | |
| Deposits | $ | 109,672 |
| Borrowings | | 5,908 |
| Other liabilities | | 413 |
| Total Liabilities Assumed | $ | 115,993 |
| | | |
| Net Non-Cash Assets Acquired | $ | 29,622 |

The Corporation issued 932,203 shares of common stock to the shareholders of Pocono Community for a total of $15,996,000. The company paid $17,569,000 for the acquisition less cash acquired from Pocono Community Bank in the amount of $3,943,000 or a net cash expenditure of $13,626,000.

NOTE 14 — EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION AGREEMENTS

The Corporation maintains a 401K Plan which has a combined tax qualified savings feature and profit sharing feature for the benefit of its employees. Under the savings feature, the Corporation matches 100% of the employee contribution up to 3% of compensation which amounted to $156,000, $145,000 and $111,000 in 2009, 2008 and 2007, respectively. Under the profit sharing feature, contributions, at the discretion of the Board of Directors, are funded currently and amounted to $399,000, $353,000 and $273,000 in 2009, 2008 and 2007, respectively.

The Bank also has non-qualified deferred compensation agreements with four of its officers and three retired officers. These agreements are essentially unsecured promises by the Bank to make monthly payments to the officers over a twenty year period. Payments begin based upon specific criteria — generally, when the officer retires. To account for the cost of payments yet to be made in the future, the Bank recognizes an accrued liability in years prior to when payments begin based on the present value of those future payments. The Bank's accrued liability for these deferred compensation agreements as of December 31, 2009 and 2008, was $1,231,000 and $1,173,000, respectively. The related expense for these plans amounted to $112,000, $155,000 and $125,000 in 2009, 2008 and 2007, respectively.

The Bank entered into agreements to provide post-retirement benefits to a retired employee in the form of life insurance payable to the employee's estate upon their death through endorsement split dollar life insurance arrangements. The Bank's accrued liabilities for these benefit agreements as of December 31, 2009 and 2008 was \$48,000 and \$38,000, respectively. The related expense for these benefit agreements amounted to \$10,000 and \$2,000 for the years ended December 31, 2009 and 2008, respectively.

NOTE 15 — COMMITMENTS AND CONTINGENCIES

The Corporation's banking subsidiary currently leases four branch banking facilities and one parcel of land, as well as two operation centers, under operating leases. Rent expense for the years ended December 31, 2009, 2008 and 2007 was $283,000, $274,000 and $216,000, respectively. Minimum rental payments required under these operating leases are: 2010 - $380,000, 2011 - $381,000, 2012 - $292,000, 2013 - $233,000, 2014 - $216,000 and thereafter $2,632,000.

The banking subsidiary leases land and a bank building in Stroudsburg, Pennsylvania, under a lease expiring in 2017. This lease has an operating lease commitment and a capital lease component. Minimum future rental payments as of December 31, 2009 under this noncancelable operating lease component for land are due as follows and are included in the amounts of operating lease payments above, 2010 - $36,000, 2011 - $36,000, 2012 - $36,000, 2013 - $36,000, 2014 - $36,000 and thereafter $109,000.

Minimum future lease payments under the capital lease component for the bank building as of December 31, 2009 for each of the next five years and in the aggregate are:

| Year Ending December 31 | | |
|---|---|---|
| 2010 | | 113,000 |
| 2011 | | 113,000 |
| 2012 | | 115,000 |
| 2013 | | 132,000 |
| 2014 | | 132,000 |
| Thereafter | | 384,000 |
| | | |
| Total minimum lease payments | | 989,000 |
| Less amounts representing interest | | 279,000 |
| Present value of net minus lease payments | $ | 710,000 |

In the normal course of business, there are various pending legal actions and proceedings that are not reflected in the consolidated financial statements. Management does not believe the outcome of these actions and proceedings will have a material effect on the consolidated financial position of the Corporation.

NOTE 16 — RELATED PARTY TRANSACTIONS

Certain directors and executive officers of First Keystone Corporation and its Subsidiary and companies in which they are principal owners (i.e., at least 10%) were indebted to the Corporation at December 31, 2009, 2008 and 2007. These loans were made on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. The loans do not involve more than the normal risk of collectibility nor present other unfavorable features.

A summary of the activity on the related party loans, comprised of 8 directors and 4 executive officers and their related companies consists of the following:

(Amounts in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Balance at January 1 | $ 3,542 | $ 3,650 | $ 939 |
| Additions | 3,881 | 1,779 | 4,074 |
| Deductions | (2,972) | (1,887) | (1,363) |
| Balance at December 31 | $ 4,451 | $ 3,542 | $ 3,650 |

63

The above loans represent funds drawn and outstanding at the date of the accompanying consolidated financial statement. Commitments by the Bank to related parties on lines of credit and letters of credit for 2009, 2008 and 2007, presented an additional off-balance sheet risk to the extent of undisbursed funds in the amounts of $2,653,000, $2,889,000 and $2,574,000, respectively, on the above loans.

Deposits from certain officers and directors and/or their affiliated companies held by the Bank amounted to $8,137,000 and $6,603,000 at December 31, 2009 and 2008, respectively.

NOTE 17 — REGULATORY MATTERS

Dividends are paid by the Corporation to shareholders which are mainly provided by dividends from the Bank. However, national banking laws place certain restrictions on the amount of cash dividends allowed to be paid by the Bank to the Corporation. Generally, the limitation provides that dividend payments may not exceed the Bank's current year's retained income plus retained net income for the preceding two years. During 2009, the Bank paid dividends to the Corporation in the amount of $5,427,000 and the Bank’s net income for the year ended December 31, 2009 was $8,147,000. During 2007 and 2008, the Bank paid dividends to the Corporation in the amounts of $10,459,000 and $5,662,000 respectively, and the Bank’s net income for the years ended December 31, 2007 and 2008 was $5,817,000 and $7,855,000, respectively. The amount of dividends paid in 2007 was utilized, in part, to fund the Pocono Community Bank acquisition. Accordingly, in 2010, without prior regulatory approval, the Bank may pay dividends to the Corporation in the amount of $271,000, plus additional amounts equal to the net income earned in 2010 for the period January 1, 2010 through the date of declaration less any dividends which may have already been paid in 2010. Regulations also limit the amount of loans and advances from the Bank to the Corporation to 10% of consolidated net assets.

The Corporation is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory — and possibly additional discretionary — actions by regulators that, if undertaken, could have a direct material effect on the Corporation’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation must meet specific capital guidelines that involve quantitative measures of the Corporation’s assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Corporation’s capital amounts and classification are also subject to qualitative judgements by the regulators about components, risk weightings and other factors. Management believes, as of December 31, 2009 and 2008, that the Corporation and the Bank met all capital adequacy requirements to which they are subject.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set fourth in the table below) of Total and Tier I Capital (as defined in the regulations) to Risk-Weighted Assets (as defined), and of Tier I Capital (as defined) to Average Assets (as defined).

As of December 31, 2009, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as Well Capitalized under the regulatory framework for prompt corrective action. To be categorized as Well Capitalized, the Bank must maintain minimum Total Risk-Based, Tier I Risked-Based and Tier I Leverage Ratios as set forth in the table. There are no conditions or events since the notification that management believes have changed the Bank's category.

| (Amounts in thousands) | To Be Well |
|---|---|

| | Actual | | For Capital Adequacy Purposes | | Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| As of December 31, 2009: | | | | | | |
| Total Capital (to Risk Weighted Assets) | $ 66,666 | 12.88% | $ 41,421 | 8.00% | $ 51,777 | 10.00% |
| Tier I Capital (to Risk Weighted Assets) | 61,344 | 11.85% | 20,711 | 4.00% | 31,066 | 6.00% |
| Tier I Capital (to Average Assets) | 61,344 | 8.21% | 29,884 | 4.00% | 37,355 | 5.00% |

64

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

| (Amounts in thousands) | Actual | | For Capital Adequacy Purposes | | To Be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| As of December 31, 2008: | | | | | | |
| Total Capital (to Risk Weighted Assets) | $ 63,694 | 13.03% | $ 39,245 | 8.00% | $ 49,057 | 10.00% |
| Tier I Capital (to Risk Weighted Assets) | 58,499 | 11.97% | 19,623 | 4.00% | 29,434 | 6.00% |
| Tier I Capital (to Average Assets) | 58,499 | 8.45% | 27,706 | 4.00% | 34,633 | 5.00% |

The Corporation's capital ratios are not materially different from those of the Bank.

NOTE 18 — FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments. The Corporation does not engage in trading activities with respect to any of its financial instruments with off-balance sheet risk.

The Corporation's 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 represented by the contractual notional amount of those instruments.

The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The Corporation may require collateral or other security to support financial instruments with off-balance sheet credit risk.

The contract or notional amounts at December 31, 2009 and 2008 were as follows:

| (Amounts in thousands) | 2009 | 2008 |
|---|---|---|
| Financial instruments whose contract amounts represent credit risk: | | |
| Commitments to extend credit | $ 63,247 | $ 52,762 |
| Financial standby letters of credit | $ 843 | $ 904 |
| Performance standby letters of credit | $ 5,806 | $ 6,936 |

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 that 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. The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counter-party. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Corporation to guarantee payment to a third party when a customer either fails to repay an obligation or fails to perform some non-financial obligation. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Corporation may hold collateral to support standby letters of credit for which collateral is deemed necessary.

The Corporation grants commercial, agricultural, real estate mortgage and consumer loans to customers primarily in the counties of Columbia, Luzerne, Montour and Monroe, Pennsylvania. The concentrations of credit by type of loan are set forth in Note 5, “Loans”. It is management’s opinion that the loan portfolio was well balanced and diversified at December 31, 2009, to the extent necessary to avoid any significant concentration of credit risk. However, its debtors ability to honor their contracts may be influenced by the region’s economy.

## NOTE 19 — COMPREHENSIVE INCOME

The components of other comprehensive income and related tax effects are as follows:

| (Amounts in thousands) | Years Ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| Unrealized holding (losses) on available-for-sale investment securities arising during the period | $ (3,301) | $ (7,000) | $ 330 |
| Less reclassification adjustment for net gains and losses realized in income | (138) | (148) | 483 |
| Change in unrealized (losses) before tax effect | $ (3,163) | $ (6,852) | $ (153) |
| Tax effects | 1,075 | 2,347 | (113) |
| Net change in unrealized (losses) | $ (2,088) | $ (4,505) | $ (40) |

## NOTE 20 — STOCKHOLDERS’ EQUITY

On November 1, 2007 First Keystone Corporation completed its acquisition of Pocono Community Bank (See Note 2) and in connection therewith, issued 932,203 shares of First Keystone common stock for a total of $15,996,000.

The Corporation also offers to its shareholders a Dividend Reinvestment and Stock Purchase Plan. First Keystone Corporation is authorized to issue up to 200,000 shares of its common stock under the plan. The plan provides First Keystone shareholders a convenient and economical way to purchase additional shares of common stock by reinvesting dividends. A plan participant can elect full dividend reinvestment or partial dividend reinvestment provided at least 25 shares are enrolled in the plan. In addition, plan participants may make additional voluntary cash purchases of common stock under the plan of not less than $100 per calendar quarter or more than $2,500 in any calendar quarter.

Shares of First Keystone common stock are purchased for the plan either in the open market by an independent broker on behalf of the plan, directly from First Keystone as original issue shares, or through negotiated transactions. A combination of the previous methods could also occur.

Participation in this plan by shareholders began in 2001. Shares transferred under this dividend reinvestment and stock purchase plan were as follows:

| Year | Number of Shares |
|---|---|
| 2001 | 3,260 |
| 2002 | 7,747 |
| 2003 | 8,000 |
| 2004 | 13,932 |
| 2005 | 21,491 |
| 2006 | 22,964 |
| 2007 | 25,900 |
| 2008 | 34,389 |
| 2009 | 39,772 |

NOTE 21 — STOCK COMPENSATION PLAN

On February 10, 1998, the Board of Directors adopted a stock option incentive plan and initially reserved 100,000 shares of common stock for issuance under the plan for certain employees of the Bank. After adjustments for the effects of stock dividends, options exercised and options forfeited there remains 68,104 options for possible issuance. Under the Plan, options are granted at fair market value and the time period during which any option granted may be exercised may not commence before six months or continue beyond the expiration of ten years after the option is awarded. Upon exercise of the stock options, shares of the Corporation's stock are issued from Treasury Stock.

On December 27, 2007, the Board of Directors issued 6,250 stock options.

The fair value of stock options issued to employees is measured on the date of the grant and is recognized as compensation expense over the requisite service period. Expected volatility and dividend yield are based on historical stock prices and dividend amounts over past time periods equal in length to the life of the options. The risk-free interest rate is determined using the U.S. Treasury yield curve in effect at the date of the grant. The expected life of the options is calculated using the average term of the vesting period and the maximum term.

Stock based compensation expense was $18,000 and $1,000 for the years ended December 31, 2008 and 2007, respectively, attributable to stock options granted in 2007. Stock based compensation expense was $8,000 for the year ended December 31, 2006 attributable to stock options granted in 2005.

The fair value of each option grant is estimated on the date of grant using the Binomial Option Pricing Model derived from the Black-Scholes Option Pricing Model with the following weighted-average assumptions used for options granted in 2007 and 2005, respectively: dividend yield of 5.25% and 4.05%; expected volatility of 26.17% and 23.04%; risk-free interest rate of 3.64% and 4.39%; and an expected life of 5.25 years and 10 years.

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

Information about stock options outstanding at December 31, 2009, is summarized as follows:

| | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|
| | Stock Options | Weighted Average Exercise Price | Stock Options | Weighted Average Exercise Price | Stock Options | Weighted Average Exercise Price |
| Balance at January 1 | 41,695 | $ 16.86 | 54,562 | $ 17.65 | 51,383 | $ 17.55 |
| Granted | — | — | — | — | 6,250 | 16.75 |
| Granted due to stock dividend | — | — | — | — | — | — |
| Exercised | — | — | (50) | 15.88 | — | — |
| Forfeited | (9,972) | 15.85 | (12,817) | 19.80 | (3,071) | 15.95 |
| Balance at December 31 | 31,723 | 17.17 | 41,695 | 16.86 | 54,562 | 17.55 |
| Exercisable at December 31 | 31,723 | $ 17.17 | 41,695 | $ 16.86 | 48,312 | $ 17.65 |
| Weighted average fair value of options granted during the year | | | | $ 2.98 | | |

Under the terms of the stock option incentive plan, the stock options including amendments as to price and terms were adjusted for the stock dividend in 2006.

Exercise prices of options outstanding as of December 31, 2009, ranged from $10.28 to $21.11 per share. The weighted average remaining contracted life is approximately 4.03 years.

The 31,723 options outstanding as December 31, 2009 have an intrinsic value, which is the amount that the value of the underlying stock exceeds the exercise price of the options of $49,000. The total intrinsic value of the options exercised during the years ended December 31, 2009, 2008 and 2007 was $0 for each year. Cash received from stock options exercised for the years ended December 31, 2009, 2008 and 2007 was $0, $1,000 and $0, respectively.

The following table summarizes information concerning the 1998 Employee Stock Option Plan at December 31, 2009.

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Year | Number Outstanding* | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
| 2000 | 4,950 | .75 | 10.28 | 4,950 | 10.28 |
| 2002 | 7,394 | 2.75 | 15.08 | 7,394 | 15.08 |
| 2003 | 10,231 | 3.75 | 21.11 | 10,231 | 21.11 |

| | | | | | |
|---|---|---|---|---|---|
| 2005 | 3,148 | 5.75 | 20.95 | 3,148 | 20.95 |
| 2007 | 6,000 | 8.00 | 16.75 | 6,000 | 16.75 |
| | 31,723 | | 17.17 | 31,723 | 17.17 |

*As adjusted for stock dividend noted above.

68

NOTE 22 — FAIR VALUES OF FINANCIAL INSTRUMENTS

FASB ASC 825-10-50 Financial Instruments-Disclosure ((SFAS) 107, "Disclosures about Fair Value of Financial Instruments"), requires disclosure of fair value information about financial instruments, whether or not required to be recognized in the consolidated balance sheets, for which it is practicable to estimate such fair value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Fair value estimates derived through these techniques cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. FASB ASC 825-10-50 (SFAS 107) excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Corporation.

The following methods and assumptions were used by the Corporation in estimating its fair value disclosures for financial instruments:

Cash and Due From Banks, Short-Term Investments, Accrued Interest Receivable and Accrued Interest Payable

The fair values are equal to the current carrying values.

Investment Securities

Fair values have been individually determined based on currently quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans

Fair values are estimated for categories of loans with similar financial characteristics. Loans were segregated by type such as commercial, tax-exempt, real estate mortgages and consumer. For estimation purposes each loan category was further segmented into fixed and adjustable rate interest terms and also into performing and non-performing classifications.

The fair value of each category of performing loans is calculated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Fair value for non-performing loans is based on management's estimate of future cash flows discounted using a rate commensurate with the risk associated with the estimated future cash flows. The assumptions used by management are judgmentally determined using specific borrower information.

Cash Surrender Value of Bank Owned Life Insurance

Fair value is equal to the cash surrender value of life insurance policies.

Deposits

Under FASB ASC 825-10-50 (SFAS 107), the fair value of deposits with no stated maturity, such as Demand Deposits, Savings Accounts and Money Market Accounts is equal to the amount payable on demand at December 31, 2009 and 2008.

Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on similar term borrowings, to a schedule of aggregated expected monthly maturities on time deposits.

Short-Term and Long-Term Borrowings

The fair values of short-term and long-term borrowings are estimated using discounted cash flow analyses based on the Corporation's incremental borrowing rate for similar instruments.

Commitments to Extend Credit and Standby Letters of Credit

Management estimates that there are no material differences between the notional amount and the estimated fair value of those off-balance sheet items since they are primarily composed of unfunded loan commitments which are generally priced at market at the time of funding.

At December 31, 2009 and 2008, the carrying values and estimated fair values of financial instruments of the Corporation are presented in the table below:

| (Amounts in thousands) | 2009 | | 2008 | |
|---|---|---|---|---|
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| FINANCIAL ASSETS: | | | | |
| Cash and due from banks | $ 4,199 | $ 4,199 | $ 9,945 | $ 9,945 |
| Short-term investments | 7,227 | 7,227 | 6 | 6 |
| Investment securities - available for sale | 277,824 | 277,824 | 240,175 | 240,175 |
| Investment securities - held to maturity | 4,974 | 4,936 | 2,990 | 2,906 |
| Net loans | 401,375 | 415,261 | 403,172 | 413,226 |
| Accrued interest receivable | 4,213 | 4,213 | 4,228 | 4,228 |
| Cash surrender value of life insurance | 17,622 | 17,622 | 17,157 | 17,157 |
| | | | | |
| FINANCIAL LIABILITIES: | | | | |
| Deposits | 580,569 | 558,389 | 504,633 | 499,922 |
| Short-term borrowings | 17,462 | 17,462 | 55,332 | 55,332 |
| Long-term borrowings | 82,976 | 86,771 | 82,062 | 87,555 |
| Accrued interest and other expenses | 3,101 | 3,101 | 3,488 | 3,488 |
| | | | | |
| OFF-BALANCE SHEET FINANCIAL INSTRUMENTS: | | | | |
| Commitments to extend credit | | 63,247 | | 52,762 |
| Financial standby letters of credit | | 843 | | 904 |
| Performance standby letters of credit | | 5,806 | | 6,936 |

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

NOTE 23 — PARENT COMPANY FINANCIAL INFORMATION

Condensed financial information for First Keystone Corporation (parent company only) was as follows:

BALANCE SHEETS
(Amounts in thousands)

| | December 31 | |
|---|---|---|
| | 2009 | 2008 |
| ASSETS | | |
| Cash in subsidiary bank | $ 1,899 | $ 1,380 |
| Investment in subsidiary bank | 79,618 | 74,804 |
| Investment in other equity securities | 1,759 | 1,911 |
| Prepayments and other assets | 683 | 650 |
| TOTAL ASSETS | $ 83,959 | $ 78,745 |
| | | |
| LIABILITIES | | |
| Advance from subsidiary bank | $ 9,792 | $ 9,598 |
| TOTAL LIABILITIES | $ 9,792 | $ 9,598 |
| | | |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock | $ — | $ — |
| Common stock | 11,375 | 11,375 |
| Surplus | 30,269 | 30,269 |
| Retained earnings | 41,346 | 38,414 |
| Accumulated other comprehensive income (loss) | (2,583) | (4,671) |
| Treasury stock, at cost | (6,240) | (6,240) |
| TOTAL STOCKHOLDERS' EQUITY | $ 74,167 | $ 69,147 |
| | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 83,959 | $ 78,745 |

STATEMENTS OF INCOME
(Amounts in thousands)

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| INCOME | | | |
| Dividends from Subsidiary Bank | $ 5,427 | $ 5,662 | $ 10,459 |
| Dividends - other | 57 | 100 | 107 |
| Securities gains (losses) | (295) | (542) | 420 |
| Interest | 14 | 11 | 32 |
| TOTAL INCOME | $ 5,203 | $ 5,231 | $ 11,018 |
| | | | |
| Operating Expenses | 67 | 86 | 89 |
| Income Before Taxes and Equity in Undistributed Net Income of Subsidiary | $ 5,136 | $ 5,145 | $ 10,929 |
| Income tax expense | (81) | (213) | 160 |
| Income Before Equity in Undistributed Net Income of Subsidiary | $ 5,217 | $ 5,358 | $ 10,769 |
| Equity in (excess of) Undistributed Net Income of Subsidiary | 2,720 | 2,193 | (4,642) |

| | | | | | | |
|---|---|---|---|---|---|---|
| NET INCOME | $ | 7,937 | $ | 7,551 | $ | 6,127 |

71

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007

STATEMENTS OF CASH FLOWS
(Amounts in thousands)

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| OPERATING ACTIVITIES | | | |
| Net income | $ 7,937 | $ 7,551 | $ 6,127 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Securities (gains) losses | 295 | 105 | (420) |
| Deferred income tax benefit | 59 | (196) | — |
| Impairment loss on investment securities | — | 437 | — |
| Equity in (excess of) undistributed net income of subsidiary | (2,720) | (2,193) | 4,642 |
| (Increase) decrease in prepaid expenses and other assets | (86) | (18) | (56) |
| Increase (decrease) in advances payable to subsidiary bank - net operating | 193 | 117 | 71 |
| Increase (decrease) in accrued expenses and other liabilities | — | (102) | 38 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 5,678 | $ 5,701 | $ 10,402 |
| | | | |
| INVESTING ACTIVITIES | | | |
| Purchase of equity securities | $ (237) | $ — | $ (765) |
| Proceeds from sale of equity securities | 83 | 204 | 1,052 |
| Purchase of bank | — | — | (16,539) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | $ (154) | $ 204 | $ (16,252) |
| | | | |
| FINANCING ACTIVITIES | | | |
| Proceeds from sale of treasury stock | $ — | $ 1 | $ — |
| Acquisition of treasury stock | — | — | (332) |
| Cash dividends paid | (5,005) | (4,842) | (4,179) |
| Advances from subsidiary bank | — | — | 9,029 |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | $ (5,005) | $ (4,841) | $ 4,518 |
| | | | |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | $ 519 | $ 1,064 | $ (1,332) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 1,380 | 316 | 1,648 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 1,899 | $ 1,380 | $ 316 |

NOTE 24 — LOSS DUE TO DEFALCATION

The Corporation recorded a loss in the amount of $850,000, or $561,000 net of tax, for the year ended December 31, 2009. It was determined by management through an internal investigation that the defalcation was the result of unauthorized activities of an employee (non-officer) of the Bank who has been terminated. Management believes the defalcation will be a covered loss with insurance, less the deductible. At the financial statement date, management is unable to estimate the amount of recovery, if any, from an insurance policy that contains coverage for this type of risk.

72

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BOARD OF DIRECTORS AND STOCKHOLDERS OF FIRST KEYSTONE CORPORATION

We have audited First Keystone Corporation's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on of the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, First Keystone Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of First Keystone Corporation and Subsidiary as of December 31, 2009 and 2008 and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2009 and our report dated March 12, 2010 expressed an unqualified opinion on those consolidated financial statements.

/s/ J. H. Williams & Co., LLP
J. H. Williams & Co., LLP

Kingston, Pennsylvania
March 12, 2010

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

## ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Management of First Keystone Corporation (the "Corporation"), with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) or 15(d)-15(e)), as of December 31, 2009. Based upon such evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Corporation's disclosure controls and procedures are effective in timely alerting them to material information relating to the Corporation required to be included in our periodic SEC filings.

During the fourth quarter of 2009, management uncovered a defalcation in the pre-tax amount of $850,000. The Corporation determined the defalcation was the result of unauthorized activities by an employee of the Bank who was immediately terminated. The Corporation expects insurance to cover the defalcation amount less a $50,000 deductible.

Management's Report on Internal Control Over Financial Reporting

The management of First Keystone Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. The Corporation's internal control system was designed to provide reasonable assurance to the Corporation's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

The Corporation's internal control over financial reporting are supported by written policies that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipt and expenditures of the Corporation are being made only in accordance with authorization of the Corporation's management and Board of Directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the consolidated financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The management of First Keystone Corporation assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2009. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. Based on our assessment we believe that, as of December 31, 2009, the Corporation's internal control over financial reporting is effective based on those criteria.

First Keystone Corporation's independent registered public accounting firm that audited the consolidated financial statements has issued an audit report on our assessment of, and the effective operation of, the Corporation's internal control over financial reporting as of December 31, 2009. This report appears on page 73.

Changes in Internal Controls

In response to the defalcation discussed above, the Audit Committee and the Board of Directors has approved and management has implemented certain changes to the Corporation's internal control over financial reporting which include: broadened segregation and rotation of duties; intensified management oversight and analysis of general ledger accounts; expanded documentation and approval procedures for certain general ledger entries; and instituted an online, real-time core banking system. In addition, management has instituted a program to require periodic testing of these changes. The Corporation made no other changes in its internal controls or in other factors that has materially affected, or is reasonably likely to materially affect these controls subsequent to the date of the evaluation of the controls by the Chief Executive and Chief Financial Officers.

ITEM 9B. OTHER INFORMATION

Not Applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information under the captions "Information As To Directors and Nominees,""Principal Officers of the Bank and the Corporation" and "Committees of the Board of Directors" are incorporated here by reference from First Keystone Corporation's proxy statement for its 2010 annual meeting of shareholders scheduled for May 4, 2010. The information under the caption "Section 16(A) Beneficial Ownership Reporting Compliance" and "Code of Ethics" are as follows:

SECTION 16(A) BENEFICIAL OWNERSHIP
REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Corporation's directors, executive officers and shareholders who own more than 10% of the Corporation's outstanding equity stock to file initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Corporation with the Securities and Exchange Commission. Based solely on its review of copies of Section 16(a) forms received by it, or written representations from reporting persons that no Form 5's were required for those persons, the corporation believes that during the period January 1, 2009 through December 31, 2009, its officers, directors and reporting shareholders were in compliance with all filing requirements applicable to them.

CODE OF ETHICS

The Corporation has adopted a Directors and Senior Management Code of Ethical Conduct, which applies to all members of the Board of Directors and to senior officers of the Corporation. It can be found on the Investor Relations section of our website at www.firstkeystonecorporation.com.

ITEM 11. EXECUTIVE COMPENSATION

The information under the captions "Executive Compensation" (pages 22 through 31), "Compensation Discussion and Analysis (CD&A)," Compensation Committee Interlocks and Insider Participation," and Compensation Committee Report" are incorporated here by reference from First Keystone Corporation's proxy statement for its 2010 annual meeting of shareholders scheduled for May 4, 2010.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information under the caption "Share Ownership" and "Equity Compensation Plan Information" are incorporated here by reference from First Keystone Corporation's proxy statement for its 2010 annual meeting of shareholders scheduled for May 4, 2010.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information under the captions "Related Person Transactions" and "Governance Of The Company" are incorporated here by reference from First Keystone Corporation's proxy statement for its 2009 annual meeting of shareholders scheduled for
May 4, 2010.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information under the caption "Report of the Audit Committee" is incorporated here by reference from First Keystone Corporation's proxy statement for its 2010 annual meeting of shareholders scheduled for May 4, 2010.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

The following consolidated financial statements are included in Part II, Item 8, of this Report:

First Keystone Corporation and Subsidiary.



2. Financial Statement Schedules

Financial statements schedules are omitted because the required information is either not applicable, not required, or is shown in the financial statements or in their notes.

3. Exhibits

Exhibits required by Item 601 of Regulation S:

| Exhibit Number Referred to Item 601 of Regulation S-K | Description of Exhibit |
|---|---|
| 3i | Articles of Incorporation, as amended (Incorporated by reference to Exhibit 3(I) to the Registrant's Report on Form 10-Q for the quarter ended March 31, 2006). |
| 3ii | By-Laws, as amended (Incorporated by reference to Exhibit 3(ii) to the Registrant's Report on Form 8-K dated February 25, 2009). |
| 10.1 | Supplemental Employee Retirement Plan (Incorporated by reference to Exhibit 10 to Registrant's Annual Report on Form 10-Q for the quarter ended September 31, 2005). |
| 10.2 | Management Incentive Compensation Plan (Incorporated by reference to Exhibit 10 to Registrant's Report on Form 10-Q for the quarter ended September 30, 2006). |
| 10.3 | Profit Sharing Plan (Incorporated by reference to Exhibit 10 to Registrant's Report on Form 10-Q for the quarter ended September 30, 2006). |
| 10.4 | First Keystone Corporation 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10 to Registrant's Report on Form 10-Q for the quarter ended September 30, 2006). |
| 10.5 | Employment Agreement between First Keystone Corporation, First Keystone National Bank and John G. Gerlach dated May 10, 2007 (Incorporated by reference to Annex B to the Proxy Statement/Prospectus on the Registrant’s Registration Statement on Form S-4, as amended (No. 333-145658)). |
| 10.6 | Consulting Agreement between Keystone Corporation, First Keystone National Bank and John G. Gerlach dated May 10, 2007 (Incorporated by reference to Annex C to the Proxy Statement/Prospectus on the Registrant’s Registration Statement on Form S-4, as amended (No. 333-145658)). |
| 10.7 | Form of Non-Competition and Non-Solicitation Agreement by and between First Keystone Corporation and the Pocono Community Bank directors (Incorporated by reference to Annex F to the Proxy Statement/Prospectus on the Registrant’s Registration Statement on Form S-4, as amended (No. 333-145658)). |
| 14 | Code of Ethics (Incorporated by reference to Exhibit 14 to Registrant’s Report on Form 8-K dated January 9, 2007). |
| 21 | List of Subsidiaries of the Corporation. |
| 23 | Consent of Independent Auditors. |

| | |
|---|---|
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. |
| 32.1 | Section 1350 Certification of Chief Executive Officer. |
| 32.2 | Section 1350 Certification of Chief Financial Officer. |

SIGNATURES

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

FIRST KEYSTONE CORPORATION

/s/ J. Gerald Bazewicz
J. Gerald Bazewicz
President/Chief Executive Officer

Date: March 12, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| | |
|---|---|
| /s/ John Arndt<br>John Arndt, Secretary/Director | March 12, 2010<br>Date |
| /s/ J. Gerald Bazewicz<br>J. Gerald Bazewicz, President/<br>Chief Executive Officer/Director | March 12, 2010<br>Date |
| /s/ Don E. Bower<br>Don E. Bower, Director | March 12, 2010<br>Date |
| /s/ Robert A. Bull<br>Robert A. Bull, Director | March 12, 2010<br>Date |
| /s/ Robert E. Bull<br>Robert E. Bull, Chairman/Director | March 12, 2010<br>Date |
| /s/ Joseph B. Conahan, Jr.<br>Joseph B. Conahan, Jr., Director | March 12, 2010<br>Date |
| /s/ Jerome F. Fabian<br>Jerome F. Fabian, Director | March 12, 2010<br>Date |
| /s/ John G. Gerlach<br>John G. Gerlach, Director | March 12, 2010<br>Date |
| /s/ Diane C. A. Rosler<br>Diane C.A. Rosler, Chief Financial<br>Officer | March 12, 2010<br>Date |
| /s/ David R. Saracino<br>David R. Saracino, Director | March 12, 2010<br>Date |