

CEOCFO**First
Keystone**
COMMUNITY BANKIssue:
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With A Recent Name Change First Keystone Corporation Has Refocused As A Community Bank – Reflecting The Strong Ties To The Communities They Serve

**Financial
Regional – Northeast Banks
(FKYS-OTC: BB)**

First Keystone Corporation

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

**Matthew P. Prosseda
Chief Executive Officer**

BIO:

Mr. Prosseda was appointed to the position of Chief Executive Officer in 2010 after spending 5 years with First Keystone Community Bank in the positions of Director of Lending and Chief Operating Officer. In his current role, Matt is responsible for setting the strategic objectives for the bank. He is responsible for guiding the policy for finance, lending, asset/liability structure, marketing and compliance of the organization.

Matt has been in banking/financial services for 27 years. He began his career in the management training program of First Eastern Bank, NA, the predecessor to PNC Bank, in Berwick, Pennsylvania. After completing an internal credit training program he worked as a Commercial Loan Officer in the Columbia County market. He moved to Wellsboro, Pennsylvania in 1991 where he served for 10 years as Director of Lending for Citizens & Northern Bank, where he was responsible for setting and administering loan policy, developing new lenders and promoting safe and profitable loan growth.

Mr. Prosseda holds a Bachelor of Arts Degree in Economics from the Pennsylvania State University. He holds a Master of Business Administration from the University of Massachusetts Amherst. He has

attended numerous banking schools including the Central Atlantic School of Commercial Lending, also serving there as a director, The Graduate School of Commercial Lending at Oklahoma University and the Graduate School of Banking at Colorado University.

Matt serves on the Pennsylvania Bankers Association Board of Directors representing its Group 3, Northeastern Pennsylvania. He is active in the community as a Board Member of the Berwick Industrial Development Association and serves as the President of the Berwick Chapter of UNICO National, the largest Italian-American service organization in the country.

Company Profile:

First Keystone Community Bank, an independently owned community bank since 1864, is a subsidiary of First Keystone Corporation. The bank presently operates 15 full service offices in Columbia (5), Luzerne (5), Monroe (4), and Montour (1) Counties providing banking and financial services. On October 1, 2010, the Bank converted from a national to a state charter. This necessitated a name change from First Keystone National Bank. At the same time, we changed the trading name in Monroe County from Pocono Community Bank to First Keystone Community Bank.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Prosseda, would you give us a little history on First Keystone Corporation?

Mr. Prosseda: Our charter is dated 1864 and we have been organized in continuous existence since then in Berwick, PA.

Back in 1989 we expanded into the Bloomsburg market and established a branch there and then 9 years later we bought a branch in Montour County, which established our Danville office. In addition, we opened two offices up in the Wilkes-Barre, PA market. For the longest part of our history, we were a Berwick based bank, but within the last twenty years we branched out. More recently, three years ago, we purchased a bank in Monroe County based out of Stroudsburg, that operated as Pocono Community Bank and we now have four offices in Monroe County.

CEOCFO: How did you decide where to go?

Mr. Prosseda: Bloomsburg was a natural expansion for us because of the proximity of Bloomsburg and Berwick. In addition, there is the way these local towns are very similar in terms of size and rural population which made Danville an easy move from there. Then management and the board recognized the huge market right on our doorstep in the Wilkes-Barre area. In 1997, they decided to expand into that market. Today we have three offices in upper Luzerne County: Kingston, Hanover, and our most recently opened branch in Mountain Top. Monroe County became an opportunity when we provided a bid for a bank that was up for sale. At the time, Monroe County was one of the fastest growing counties in the state of Pennsylvania, with many commuters from New Jersey and New York taking up residence. One thing about First Keystone Community Bank is our proficiency in gathering and growing deposits. It has been difficult for us to find enough loan volume to match the deposit growth and we felt that in the Monroe County market we would be able to find those additional loan opportunities.

CEO CFO: What is it that First Keystone knows that makes it easy for you to get deposits?

Mr. Prosseda: The strategy that we have pursued has been to focus on our core community banking business practices. We eliminate deposit account fees wherever possible. Nearly all of our accounts are free in terms of the traditional types of service charges and deposits made. Therefore, we have been able to compete very successfully because while our deposit interest rates may be slightly lower, we provide customers with no actual or hidden fees, and we end up a much better value for our customers.

CEO CFO: Who is your typical customer?

Mr. Prosseda: We operate in small communities. Berwick is a town of around 13,000 people and Bloomsburg and Danville are a little bit less than that. In addition, they are rural and somewhat blue collar, and have a slightly older demographic population as well. We strive to meet the needs of all income and wealth levels and that is why we have a 75% deposit market share in Berwick.

CEO CFO: What about in the newer areas that you have gone into; is it the same demographic?

Mr. Prosseda: All of Northeastern PA shares in the same type of demographics. Since we are a community bank, so we get to know our customers a little bit better in all the markets we serve, and do it better than the larger national and regional banks. We are able to understand our customer's needs a little bit better because we are closer to our customers because we work, shop and live in the same communities as they do.

CEO CFO: How do you break down between consumer and commercial, and would you like to see a change?

Mr. Prosseda: Our consumer and commercial product sets are evenly matched at First Keystone, and that is something that I hope does not change. We have a broad product offering for both consumers and small businesses. Our small business legal lending limit is about \$9 million for any one borrower. On the con-

sumer side, we offer deposit products from checking accounts, savings accounts, money markets, and CD's. On the loan side, we offer mortgages, home equity, auto and personal loans. Through our trust department, we offer investment management to develop carefully focused plans for retirement, college planning, and all other financial goals.

CEO CFO: What has changed in your approach over the last couple of years, and how do you reassure your customers in these economic times?

Mr. Prosseda: There certainly has been quite an upheaval in the economy and the banking industry over the last two years. At First Keystone Community Bank, things have not changed because we have stuck to the prudent lending standards that we established when we organized in 1864. We have done smart decision-making, focusing on the basics: We always verify income and make sure the

What people should remember most is that we are a community bank that has achieved the success that we have by staying a part of the communities that we serve. It is what sets us apart from other financial institutions that make decisions globally rather than locally. They cannot match the service that a bank like First Keystone provides. - Matthew P. Prosseda

borrower shows the ability to repay the loan. We generally look for collateral for our loans and we keep a conservative loan to deposit ratio. In addition, we test credit history on all of our borrowers. So, staying focused on the three key issues when making loans; 1) credit history 2) ability to repay and 3) collateral. One of the things that we say proudly is that it was never necessary for us to take any of the government bailout programs. We maintained our capital strength and our earnings throughout the crisis and in fact, we have continued to enjoy record quarterly profits. We counseled our customers to look at our assets and our loans that are in the communities of Berwick, Bloomsburg, Wilkes-Barre, and Stroudsburg and if you believe in those communities, you will believe in our bank. We have invested our assets directly in these communities, and I think that was very reassuring.

CEO CFO: As First Keystone continues to grow how do you maintain the personal touch towards all customers?

Mr. Prosseda: Stroudsburg is sixty miles away and it is difficult to be there on a weekly basis, but our employees live in Monroe County communities. They are empowered to make loan and other decisions that affect those in that respective area. The employees have a vested interest in the community and want responsible decisions that help their customers, the community and the bank.

CEO CFO: Would you tell us more about community involvement?

Mr. Prosseda: I would be happy to share a story about two very nice community projects in Berwick. One is the McBride Public Library and the other is the YMCA. Our bank was very involved with both of the fund drives to raise the money for those individual projects. I think the library raised in excess of \$2 million and

the YMCA is close to \$3 million. While the bank made significant monetary donations to each of the projects, our true donation was the time and effort of ten or twelve of our employees working diligently on the campaigns. The special bonus for us was the sense of accomplished pride when the community members were able

to take advantage of the new library and YMCA

CEO CFO: How do you reach new customers; do you do much advertising?

Mr. Prosseda: We do have a marketing department that handles all types of media advertising as well as civic and community sponsorships. We focus our ads to the specials we might have going on, but we consistently brand our "community focused" message. We know our financial products are solid and competitive, both deposit and loans. We keep the products in line with community needs, not like the regional and national banks that have many hidden agendas. Really, the checking accounts and the mortgages are the cornerstone customer relationships. We have tried to make the checking accounts as user friendly to operate with no cost and no hidden fees. We provide the first set of initial checks and the debit/ATM

card free. On the residential mortgage side, we do a similar thing. We have an online application process that provides a pre-approval letter within twenty minutes. This is the first thing a realtor requests. On our website, we make that simple showing another indication of the strength of our increased technology and innovation.

CEO CFO: What do you see ahead for the next year; do you see any changes, new services or branches?

Mr. Prosseda: Our strategic plan calls for a new branch about every eighteen months, whether acquired or newly built. Our last opening was in Oct. 2010 and while there is nothing specific on the drawing board, I see the bank maintaining that plan for growth. As our tagline states, "Yesterday's Traditions. Tomorrow's Vision." we are always looking at innovative new products and services. Currently we are developing an on-line deposit account opening product to enhance our internet offerings and enhance service to our technological customers

who prefer true convenience banking. There are obvious security and regulatory issues that need will be considered before we roll that product out.

CEO CFO: On October 1st of this year (2010) the bank went through a name change, while changing from a national to a state charter: why the change?

Mr. Prosseda: The new charter and recent name change will help us deliver community banking at its best as we continue to expand throughout the region. We felt it was the perfect time to unite our Pocono Community and First Keystone branches.

CEO CFO: Address potential investors, why consider First Keystone Corporation?

Mr. Prosseda: To look at our history of strong earnings in terms of good credit quality, prudent investment decisions, and historic low overhead, you will see that we have been able to produce very good returns for our shareholders. While we may not be in the most high-growth

area geographically, there are many opportunities for a bank of our size in the communities that we serve. Especially with all the uncertainty with the larger regional and national banks, we still have many growth opportunities by serving our unique communities.

CEO CFO: Final thoughts, what should people remember most about First Keystone?

Mr. Prosseda: What people should remember most is that we are a community bank that has achieved the success that we have by staying a part of the communities that we serve. It is what sets us apart from other financial institutions that make decisions globally rather than locally. They cannot match the service that a bank like First Keystone provides. One key component learned from the economic crisis is that banks that operate and grow and conduct business where they have a stake, tend to outperform others.



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