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FIRST KEYSTONE CORP
Form 10-Q
August 08, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10Q

Quarterly Report Pursuant to Section 13 OR 15(d) of the Securities
Exchange Act of 1934

For the quarterly period ended June 30, 2007

Commission File Number: 2-88927

FIRST KEYSTONE CORPORATION
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-2249083
(I.R.S. Employer
identification No.)

111 West Front Street, Berwick, PA
(Address of principal executive offices)

18603
(Zip Code)

Registrant's telephone number, including area code: (570) 752-3671

Indicate by check mark whether the registrant (1) has filed
all reports required to be filed by Section 13 or 15(d) of the
Securities Exchange Act of 1934 during the preceding 12 months (or
for such shorter period that the registrant was required to file
such reports), and (2) has been subject to such filing requirements
for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the
issuer's classes of common stock, as of the latest practical date:

Common Stock, \$2 Par Value, 4,518,873 shares as of August 3, 2007.

PART I. - FINANCIAL INFORMATION

ITEM. 1 Financial Statements

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

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(Amounts in thousands, except per share data)

| | June 2007 (Unaudited) | December 2006 |
|--|-----------------------------|------------------|
| ASSETS | | |
| Cash and due from banks | \$ 6,875 | \$ 5,881 |
| Interest-bearing deposits in other banks | 20 | 4,307 |
| Investment securities available- for-sale carried at estimated fair value | 243,375 | 237,009 |
| Investment securities, held-to- maturity securities, estimated fair value of \$4,477 and \$6,908 | 4,545 | 6,929 |
| Loans, net of unearned income | 254,978 | 251,757 |
| Allowance for loan losses | (3,753) | (3,671) |
| | <hr/> | <hr/> |
| Net loans | \$251,225 | \$248,086 |
| Premises and equipment - Net | 4,996 | 5,016 |
| Accrued interest receivable | 2,835 | 2,686 |
| Cash surrender value of bank owned life insurance | 13,202 | 11,942 |
| Goodwill | 1,224 | 1,224 |
| Other assets | 6,263 | 2,840 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | \$534,560 | \$525,920 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Deposits | | |
| Non-interest bearing | \$ 42,600 | \$ 41,361 |
| Interest bearing | 354,880 | 342,659 |
| | <hr/> | <hr/> |
| TOTAL DEPOSITS | \$397,480 | \$384,020 |
| Short-term borrowings | 31,808 | 28,179 |
| Long-term borrowings | 52,035 | 57,535 |
| Accrued interest and other expenses | 2,862 | 2,581 |
| Other liabilities | 102 | 218 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES | \$484,287 | \$472,533 |
| | <hr/> | <hr/> |
| STOCKHOLDERS' EQUITY | | |
| Common stock, par value \$2 per share | \$ 9,511 | \$ 9,511 |
| Surplus | 16,119 | 16,119 |
| Retained earnings | 34,623 | 33,793 |
| Accumulated other comprehensive income (loss) | (3,925) | (126) |
| Less treasury stock at cost 236,691 shares in 2007 and 228,900 shares in 2006 | (6,055) | (5,910) |
| | <hr/> | <hr/> |
| TOTAL STOCKHOLDERS' EQUITY | \$ 50,273 | \$ 53,387 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$534,560 | \$525,920 |
| | ===== | ===== |

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See Accompanying Notes to Consolidated Financial Statements

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FIRST KEYSTONE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2007 AND 2006
(Unaudited)

(Amounts in thousands except per share data)

| | 2007 | 2006 |
|--|---------|---------|
| INTEREST INCOME | | |
| Interest and fees on loans | \$4,385 | \$4,073 |
| Interest and dividend income | | |
| on securities | 3,111 | 2,977 |
| Deposits in banks | 54 | 1 |
| Total interest income | \$7,550 | \$7,051 |
| INTEREST EXPENSE | | |
| Deposits | \$3,311 | \$2,681 |
| Short-term borrowings | 179 | 221 |
| Long-term borrowings | 685 | 724 |
| Total interest expense | \$4,175 | \$3,626 |
| Net interest income | \$3,375 | \$3,425 |
| Provision for loan losses | 75 | 200 |
| Net interest income after provision for loan losses | \$3,300 | \$3,225 |
| NON-INTEREST INCOME | | |
| Trust department | \$ 166 | \$ 132 |
| Service charges and fees | 501 | 517 |
| Bank owned life insurance income | 136 | 114 |
| Gain on sale of loans | 13 | 1 |
| Investment securities gains (losses) - net | 141 | 98 |
| Other | 85 | 39 |
| Total non-interest income | \$1,042 | \$ 901 |
| NON-INTEREST EXPENSE | | |
| Salaries and employee benefits | \$1,288 | \$1,306 |
| Occupancy, net | 163 | 151 |
| Furniture and equipment | 182 | 189 |
| Professional services | 173 | 98 |

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| | | |
|-----------------------------|-------------------|-------------------|
| State shares tax | 138 | 130 |
| Other | 725 | 549 |
| | <u> </u> | <u> </u> |
| Total non-interest expenses | \$2,669 | \$2,423 |
| | <u> </u> | <u> </u> |
| Income before income taxes | \$1,673 | \$1,703 |
| Income tax expense | 289 | 244 |
| | <u> </u> | <u> </u> |
| Net Income | \$1,384 | \$1,459 |
| | <u> </u> | <u> </u> |

PER SHARE DATA

Net Income Per Share: