

**FIRST
KEYSTONE
FINANCIAL, INC.**

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FOR IMMEDIATE RELEASE

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***FIRST KEYSTONE FINANCIAL INC.
ANNOUNCES FIRST QUARTER RESULTS***

Media, PA, January 31, 2001 - First Keystone Financial, Inc. (Nasdaq: FKFS), the parent company of First Keystone Federal Savings Bank, reported today that net income for the first quarter of fiscal 2001 was \$610,000, or \$0.28 per diluted share, compared to \$703,000, or \$0.33 per diluted share, for the same period last year. The decrease in net income was primarily the result of an \$140,000 decrease in net interest income as the Company's interest rate spread and net interest margin experienced compression resulting from the rising interest rate environment existing throughout much of 2000.

During calendar 2000, the Federal Reserve Board increased interest rates four times. The Bank's interest-bearing liabilities, consisting of deposits and borrowings, repriced more frequently than its interest-earning assets, consisting primarily of loans and investment securities, resulting in a decrease in its interest rate spread and net interest margin. The weighted average rate paid on liabilities increased by 51 basis points for the quarter whereas the average yield earned on interest-earning assets increased only 24 basis points. In addition, rates on shorter term instruments exceeded the rates on longer term instruments which also adversely impacted the Company's interest rate spread. As a result, the spread declined from 2.71% for the same period last year to 2.43% for the three months ended December 31, 2000.

The Company's total assets increased to \$472.3 million at December 31, 2000 from \$463.5 million at September 30, 2000 with asset growth primarily concentrated in investment and mortgage-related securities available for sale. Such growth was funded through deposit growth. Total deposits increased \$11.4 million, or 4.2%, to \$284.0 million, at December 31, 2000 from \$272.6 million at September 30, 2000. Book value per share increased to \$13.02 at December 31, 2000 from \$11.80 at September 30, 2000.

Total non-performing assets decreased to \$2.8 million at December 31, 2000 from \$3.4 million at September 30, 2000. The Company's ratio of non-performing assets and troubled debt restructurings to total assets was .60% at December 31, 2000 compared to .75% at September 30, 2000 and .76% at December 31, 1999.

"Although the interest rate environment had a greater impact on earnings than desired during this most recent quarter, the Company has been able to fund asset growth through deposit increases while maintaining our core deposit to total deposits ratio," said First Keystone Financial President Donald S. Guthrie. "We look forward to a more favorable interest rate environment and will continue to aggressively pursue capital management strategies, such as the Company's buy back program, and the use of technology, to improve the Company's efficiency ratios," added Guthrie.