

**FIRST
KEYSTONE
FINANCIAL, INC.**

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FOR IMMEDIATE RELEASE

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

Media, PA, May 1, 2001 - Donald S. Guthrie, President and Chief Executive Officer of First Keystone Financial, Inc. (Nasdaq: FKFS) reported today earnings for the quarter ended March 31, 2001. Net income for the quarter was \$615,000 or \$0.28 per diluted share compared to \$738,000 or \$0.35 per diluted share for the same period last year.

The Company's operating results for the second quarter of fiscal 2001 reflected a slight decrease in net interest income compared to the same period last year. Interest income increased \$373,000, or 4.8%, over the quarter ended March 31, 2001 primarily due to a \$26.8 million increase in average balance of interest-earning assets offset, in part, by an 11 basis point decrease in the average yield earned thereon. However, interest expense increased \$407,000, or 8.8%, over the quarter ended March 31, 2001 primarily due to an \$18.0 million increase in average balance of interest-bearing liabilities combined with a 19 basis point increase in rates paid thereon. The Company's interest rate spread decreased to 2.46% for the three months ended March 31, 2001 from 2.77% for the same period last year and the net interest margin decreased to 2.75% for the second quarter of fiscal 2001 from 2.97% from the prior year. Non-interest expenses for the quarter ended March 31, 2001 increased \$125,000 from same period last year primarily due to compensation expenses and expenses incurred in connection with its branch expansion plans.

The Company's total assets increased to \$484.6 million at March 31, 2001 from \$463.5 million at September 30, 2000. The asset growth was primarily attributable to a \$51.6 million increase in the investment and mortgage-related securities available for sale portfolios to \$190.1 million at March 31, 2001 from \$138.5 million at September 30, 2000 offset by a \$22.8 million decrease in cash and cash equivalents. Asset growth during the second quarter was funded through deposit growth. Total deposits increased to \$302.2 million, or 10.9%, at March 31, 2001 from \$272.6 million at September 30, 2000. The Company's ROE decreased to 8.22% for the three months ended March 31, 2001 compared to 13.10% for the same period in 2000, while its ROA was 0.52% for the second quarter compared to 0.66% for the same period last year. The decrease in ROE reflected a significant increase in the market value of the available for sale portfolio which increased the Company's average equity by \$5.8 million. With the recent decline in interest rates, book value per share increased to \$14.10 at March 31, 2001 from \$11.80 at September 30, 2000.

Total non-performing assets increased \$40,000 to \$3.1 million at March 31, 2001. The Company's ratio of non-performing assets and troubled debt restructurings to total assets increased to 0.67% at March 31, 2001.

First Keystone Federal Savings Bank, the Company's wholly owned subsidiary, serves its customers from seven full-service offices in Delaware and Chester Counties.