

**FIRST
KEYSTONE
FINANCIAL, INC.**

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FOR IMMEDIATE RELEASE

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

Media, PA, July 27, 2001 - Donald S. Guthrie, President and Chief Executive Officer of First Keystone Financial, Inc. (Nasdaq: FKFS) announced today earnings for the quarter ended June 30, 2001. Net income for the quarter was \$661,000 or \$0.31, per diluted share compared to \$859,000 or \$0.41 per diluted share for the same period last year. Net income for the quarter ended June 30, 2000 included a receipt from an insurance company that demutualized and made a one-time distribution of its common stock to its policyholders amounting to \$277,533. Excluding this one-time distribution, net income for the quarter ended June 30, 2000 was \$676,000, or \$0.32, per diluted share.

The Company's operating results for the third quarter of fiscal 2001 reflected a slight decrease in net interest income compared to the same period last year. Interest income increased \$51,000, or 0.6%, over the quarter ended June 30, 2000 primarily due to a \$27.2 million increase in the average balance of interest-earning assets offset by an 43 basis point decrease in the average yield earned thereon. However, interest expense increased \$134,000, or 2.7%, over the quarter ended June 30, 2000 primarily due to a \$19.5 million increase in the average balance of interest-bearing liabilities offset by a 9 basis point decrease in rates paid thereon. The Company's interest rate spread decreased to 2.41% for the three months ended June 30, 2001 from 2.74% for the same period last year and the net interest margin decreased to 2.69% for the third quarter of fiscal 2001 from 2.96% from the prior year. Non-interest income for the quarter ended June 30, 2001 decreased \$286,000 from same period last year primarily due to the distribution of common stock.

The Company's total assets increased to \$489.9 million at June 30, 2001 from \$463.5 million at September 30, 2000. The asset growth was primarily attributable to a \$39.2 million increase in the investment and mortgage-related securities available for sale portfolios and a \$12.7 million increase in the net loan portfolio at June 30, 2001 offset by a \$15.3 million decrease in cash and cash equivalents as these assets were reinvested in securities and loans. Asset growth was funded through deposit growth of \$41.1 million. Total deposits amounted to \$313.6 million at June 30, 2001, an increase of 15.1% from September 30, 2000. The Company's ROE decreased to 9.00% for the three months ended June 30, 2001 compared to 14.76% for the same period in 2000, while its ROA was 0.55% for the third quarter compared to 0.75% for the same period last year. Excluding the one-time stock distribution, ROA was 0.59% and ROE was 11.61% for the quarter ended June 30, 2000. The decrease in ROE also reflected a significant increase in the market value of the available for sale portfolio which increased the Company's average equity by \$6.6 million. With the recent decline in interest rates and resultant increase in unrealized gains on the securities portfolio, book value per share increased to \$14.14 at June 30, 2001 from \$11.80 at September 30, 2000.

Total non-performing assets decreased to \$3.0 million at June 30, 2001 from \$3.5 million at September 30, 2000. The Company's ratio of non-performing assets and troubled debt restructurings to total assets was reduced from 0.75% at September 30, 2000 to 0.61% at June 30, 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.