

**FIRST
KEYSTONE
FINANCIAL, INC.**

**22 West State Street
Media, PA 19063
610-565-6210**

FOR IMMEDIATE RELEASE

**CONTACT: THOMAS M. KELLY, PRESIDENT
(610) 565-6210**

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

Media, PA, July 31, 2000 - Donald S. Guthrie, President and Chief Executive Officer of First Keystone Financial, Inc. (Nasdaq: FKFS) announced earlier today earnings for the quarter ended June 30, 2000. Net income for the quarter was \$859,000 or \$0.41 per diluted share compared to \$725,000 or \$0.34 per diluted share for the same period last year. The increase was primarily due to the receipt of stock from an insurance company that demutualized and in connection therewith made a one-time distribution of its common stock to its policyholders. The stock was recorded at its fair market value at the time of issuance of \$277,533, or \$14.25 a share.

The Company's operating results for the third quarter of fiscal 2000 reflected a \$159,000, or 5.5%, increase in net interest income compared to the same period last year. The Company's interest rate spread increased to 2.74% for the three months ended June 30, 2000 from 2.63% for the same period last year, while the net interest margin remained at 2.96% for the third quarter of fiscal 2000. The increase in the spread was mainly due to increases in the yields on the Company's interest-earning assets outpacing the increased cost of funds during fiscal 2000. Other income increased \$458,000 for the third quarter due primarily to the \$278,000 stock distribution. Increases in bank owned life insurance of \$60,000, an improvement in real estate operations of \$58,000 and an aggregate increase in miscellaneous income items of \$62,000 also contributed to the increase. Due to the rising interest rate environment, gain on sales of loans and mortgage-related and investment securities declined as compared to the third quarter of fiscal 1999. Operating expenses increased \$391,000 from same period last year due to compensation expenses and expenses incurred in connection with its branch expansion along with increased professional fee and foreclosure costs.

The Company's total assets increased to \$465.2 million at June 30, 2000 from \$450.1 million at September 30, 1999. The asset growth was primarily attributable to a \$6.6 million increase in the net loan portfolio to \$233.0 million at June 30, 2000 from \$226.4 million at September 30, 1999. Asset growth was funded through deposit growth. Total deposits increased to \$276.0 million, or 5.8%, at June 30, 2000 from \$260.8 million at September 30, 1999. The Company's ROE increased to 14.76% for the three months ended June 30, 2000 compared to 11.17% for the same period in 1999, while its ROA was 0.75% for the third quarter compared to 0.68% for the same period last year.

Total non-performing assets decreased to \$3.1 million at June 30, 2000 from \$3.5 million at September 30, 1999. The Company's ratio of non-performing assets and troubled debt restructurings to total assets was reduced from 0.77% at September 30, 1999 to 0.67% at June 30, 2000.

"Although there are signs that increased rates are having their desired effect on economic growth and that inflation remains under control, management remains cautiously optimistic on the direction of interest rates and their effect on the Company's net interest income," stated Donald S. Guthrie. "We continue to focus on increasing our core deposits and expanding the commercial lending portfolio to maintain our interest rate spreads." Guthrie added.

At June 30, 2000, the Company had total consolidated assets of \$465.2 million, total consolidated liabilities of \$440.6 million and stockholders' equity of \$24.7 million or \$10.96 per share. First Keystone Federal Savings Bank, the Company's wholly owned subsidiary, serves its customers from seven full-service offices in Delaware and Chester Counties.