

**FIRST  
KEYSTONE  
FINANCIAL, INC.**

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**FOR IMMEDIATE RELEASE**

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

**Media, PA, November 9, 2001** - Donald S. Guthrie, President and Chief Executive Officer of First Keystone Financial, Inc. (Nasdaq: FKFS), announced today earnings for the quarter and year ended September 30, 2001. Net income for the fourth quarter was \$585,000 or \$0.29 per diluted share compared to \$62,000 or \$0.03 per diluted share for the same period last year. For the year ended September 30, 2001, the Company earned \$2.5 million or \$1.18 per diluted share as compared to \$2.4 million or \$1.11 per diluted share for the prior fiscal year. Net income for the quarter ended September 30, 2000 was significantly lower due to a loss on the sale of investment and mortgage-related securities as a result in implementing a change in the asset/liability strategy. Excluding the restructuring strategy, net income for the quarter ended September 30, 2000 would have been \$647,000 or \$0.30 per diluted share.

The Company's operating results for the fourth quarter of fiscal 2001 reflected a slight decrease in net interest income compared to the same period last year. Interest income decreased \$111,000, or 1.4%, for the quarter ended September 30, 2001 primarily due to a 61 basis point decrease in the average yield earned on interest-earning assets partially offset by a \$30.8 million increase in the average balance of such assets. Interest expense also decreased \$90,000, or 1.8%, for the quarter ended September 30, 2001 as compared to the fourth quarter of fiscal 2000 primarily due to a 41 basis point decrease in rates paid on interest-bearing liabilities partially offset by a \$27.9 million increase in the average balance of such liabilities. The interest rate compression being experienced by the Company is a result of the Company's interest-earning assets, consisting primarily of loans and investment securities, repricing more rapidly than its interest-bearing liabilities due to significant declines in interest rates in 2001. The Company's interest rate spread decreased to 2.35% for the three months ended September 30, 2001 from 2.55% for the same period last year and the net interest margin decreased to 2.59% for the fourth quarter of fiscal 2001 from 2.80% from the prior year.

The Company's total assets increased to \$489.1 million at September 30, 2001 from \$463.5 million at September 30, 2000. The asset growth was primarily attributable to \$41.7 million increase in the investment and mortgage-related securities available for sale and \$17.0 million increase in the net loan portfolio. Partially offsetting this increase was a \$21.0 million decrease in cash and cash equivalents as the Company reinvested its liquid assets in securities. Asset growth was funded as well through deposit growth of \$39.0 million. Total deposits amounted to \$311.6 million at September 30, 2001, an increase of 14.3% from September 30, 2000. The Company's return on equity increased to 7.93% for the three months ended September 30, 2001 compared to 0.98% for the same period in 2000, while its return on assets was 0.49% for the fourth quarter compared to 0.05% for the same period last year.

Total non-performing assets decreased to \$3.2 million at September 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 to 0.65% at September 30, 2001 from 0.75% at September 30, 2000.

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