

FIRST FINANCIAL FUND INC
Form N-CSR
June 09, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-04605

First Financial Fund Inc.
(Exact name of registrant as specified in charter)

Fund Administrative Services

2344 Spruce Street, Suite A

Boulder, CO
(Address of principal executive offices)

80302
(Zip code)

Fund Administrative Services

2344 Spruce Street, Suite A

Boulder, CO 80302
(Name and address of agent for service)

Registrant's telephone number, including area code: (303) 444-5483

Date of fiscal year end: March 31

Date of reporting period: March 31, 2008

Item 1. Reports to Stockholders.

The Report to Stockholders is attached herewith.

Letter from the Adviser March 31, 2008**Dear Stockholders:**

The past year has been a challenging environment for companies in the financial services sector, including investments held in the First Financial Fund, Inc. (the "Fund"). For the twelve-month period ending March 31, 2008, the Fund returned -22.2% on net asset value (NAV) and -25.8% on market price. Financial stocks underperformed the overall market index as measured by the S&P 500, which returned -5.1%.

TOTAL RETURNS

as of March 31, 2008

	6 mo	1 YR	3 YR	5 YR	10 YR
First Financial Fund's NAV	-18.3%	-22.2%	-1.1%	11.1%	8.9%
S&P 500 Index	-12.5	-5.1	5.9	11.3	3.5
NASDAQ Composite*	-15.3	-5.1	5.3	11.9	2.5
NASDAQ Banks*	-15.6	-21.9	-4.9	3.2	1.4
SNL Thrifts*	-34.3	-41.2	-12.9	-1.8	1.4
SNL Finance REIT*	-28.7	-49.3	-19.5	-3.5	-0.7

Sources: State Street Corporation and Wellington Management Company, LLP

*Principal Only

Periods greater than one year are annualized

News flow for the financial service sector continued to grab attention this past period: the asset write downs, the margin calls, the structured investment vehicles, the monoline insurance companies, the mortgage agencies, municipal auctions, brokerage firms, and the historic (while belated) Fed Reserve action. The balance sheet repair that we anticipated for financial companies is now gaining momentum, with not-too-subtle encouragement from our regulatory authorities. A few assets have started to change hands, taking some hefty wallops, but in our opinion this process is only in its early stages pending the requisite recapitalizations that need to occur first. There will be much differentiation ahead between those who have the wherewithal to hold on to their assets long enough to weather the storm, and those who do not, and we believe the storm will last longer than many anticipate.

The global equity downturn, which marked the fourth quarter of 2007, accelerated into the first quarter of 2008 resulting in the worst quarterly performance for stocks since September of 2002. The financials sector was among the hardest hit. The ongoing turmoil in the credit markets, a lowering of corporate earnings estimates, and continued home price declines have been persistent economic headwinds for financial services companies and continued to pressure the sector. The US Fed acted aggressively to soften an economic

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slowdown by lowering the Fed funds rate by 200 basis points during the first quarter of 2008 and introducing multiple programs aimed at improving liquidity within the US financial system, including lending its support to JPMorgan Chase's proposed acquisition of Bear Stearns. Amid the concern, investors found some cause for optimism based on the assertiveness of the Fed, which proved willing to intervene to ensure the orderly functioning of US financial markets. Shares of financial stocks showed some strength during the latter part of the quarter.

Within the Fund, Amtrust Financial Services (+54.1%), a specialty property and casualty insurer, was the strongest contributor to absolute performance during the twelve month period ended March 31, 2008. The company announced higher fourth quarter profits earlier in the year. Abyara Planejamento (+70.2%), a REIT active in Sao Paulo, Brazil's metropolitan real estate, continued to be a solid performer. Commerce Bancorp (11.0%) benefited by the news of its acquisition by TD Bank Financial Group.

The Fund's top detractors were in the Mortgage REIT and Regional Banks sub-sectors. Thornburg Mortgage (-79.6%), a Mortgage REIT, was the Fund's largest detractor from absolute performance during the period. We bought the common stock of Thornburg Mortgage late last summer at depressed levels as its assets are at the higher end of the credit quality spectrum and we expected them to benefit from a steepening yield curve. The company was forced to liquidate some assets as its short-term funding sources raised the bar and issued margin calls in late February and early March. While this liquidity event was unfortunate both for the company and for the Fund, we participated in Thornburg Mortgage's recapitalization, which included non-investment grade debt securities, in March to capture a greater interest in their agency and AAA residential mortgage assets at record spreads. Regional Banks' CCF Holding Company (-68.8%), a holding company for southeast commercial bank Heritage Bank, MidCountry Financial (-72.4%), and BankUnited Financial (-82.2%), were among the top detractors to absolute Fund performance.

The Thornburg Mortgage recapitalization, which included debt securities with a substantial equity component, demonstrates the leverage that institutional investors have in current markets when quality financial services companies are willing to include equity components to debt and/or preferred stock deals in private placement offerings in order to satisfy immediate liquidity needs. We believe that similar opportunities may arise in the future for other financial services companies facing immediate liquidity needs. To maximize the Fund's flexibility to take advantage of future opportunities, the Board recently approved removing the minimum debt rating requirement for debt securities of financial services companies.

At the end of the period, the Fund remains positioned primarily in Regional Banks (33%) as well as Thrift & Mortgage Finance names (19%). We have trimmed our Regional Banks

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exposure over the last twelve months, while slightly increasing our exposure to Asset Management and Custody, and Property and Casualty Insurance companies. We continue to find select attractive opportunities on a relative valuation outside the US, with approximately 17% of the Fund's equity securities domiciled in non-US securities. This conviction for financial stock valuations outside the US is also reflected in four of the Fund's top ten holdings being non-US securities. The Fund's top holdings at the end of the year include Hatteras Financial, Thornburg Mortgage, AerCap, and Banco Industrial.

We eliminated the Fund's protective position in a swap on a tranche of the North American Credit Default Index at a gain when credit spreads began to narrow from their wides in late March.

While the last twelve months have been challenging, we remain confident in the investment case behind the Fund's current positioning. There will be more volatility, thus we must be mindful to balance our enthusiasm, but we will continue to focus our efforts on intensive bottom-up fundamental research to try to exploit the exciting opportunities that lie ahead.

As always, we appreciate your support of the Fund.

Nicholas C. Adams, CFA
Senior Vice President & Equity Portfolio Manager
Wellington Management Company, LLP

Financial Data (Unaudited) FIRST FINANCIAL FUND, INC.

	Net Asset Value	Per Share of Common Stock NYSE Closing Price	Dividend Paid		Net Asset Value	Per Share of Common Stock NYSE Closing Price	Dividend Paid
3/31/07	\$ 15.15	\$ 14.25	\$ 0.00	10/31/07	\$ 14.15	\$ 12.32	\$ 0.00
4/30/07	15.16	14.25	0.00	11/30/07	13.60	12.16	0.00
5/31/07	15.46	14.13	0.00	12/31/07	11.66	10.99	1.82
6/30/07	15.15	13.73	0.00	1/31/08	11.50	10.86	0.00
7/31/07	13.99	12.50	0.00	2/29/08	11.03	9.81	0.00
8/31/07	14.14	12.74	0.00	3/31/08	10.18	9.04	0.00
9/30/07	14.43	12.70	0.00				

The First Financial Fund was ranked #1 in Lipper Closed-End Equity Fund Performance for the 10 years ending:

December 31, 2006
 December 31, 2005
 December 31, 2004

and the 5 years ending: December 31, 2004

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Portfolio of Investments as of March 31, 2008

FIRST FINANCIAL FUND, INC.

Shares	Description	Value (Note 1)
LONG TERM INVESTMENTS-107.1%		
DOMESTIC COMMON STOCKS-78.1%		
Banks & Thrifts-32.9%		
41,000	1st United Bancorp, Inc. (a)(b)	\$ 594,500
	Alliance Bankshares	
83,490	Corporation (c)	436,653
541,900	AmeriServ Financial, Inc. (c)	1,549,834
251,735	Bancorp, Inc. (c)	3,040,959
11,900	Bank of Commerce Holdings	95,200
82,600	Bank of Florida Corporation (c)	837,564
34,000	Bank of Marin (c)	1,020,000
83,300	Bank of Virginia	513,128
	BankAtlantic Bancorp, Inc. Class	
526,660	A	2,059,241
252,500	BankFinancial Corporation (c)	4,017,275
57,000	BCB Bancorp, Inc.	835,050
	Benjamin Franklin Bancorp, Inc.	
154,300	(c)	2,129,340
48,552	Beverly Hills Bancorp, Inc. (c)	122,836
64,300	Beverly National Corporation (c)	1,260,280
36,300	Bridge Capital Holdings	769,560
8,000	Cambridge Bancorp (c)	223,000
	Capital Corporation of the West	
146,000	(c)	1,170,920
180,100	Cardinal Financial Corporation (c)	1,597,487
85,000	Cardinal State Bank (b)	1,275,000
51,243	Carolina Trust Bank	698,442
340,815	CCF Holding Company (c)(d)	2,051,706
3,500	Central Virginia Bankshares, Inc.	61,600
55,100	Centrue Financial Corporation (c)	1,074,450
9,261	Coastal Banking Company, Inc.	126,876
60,000	Community Bank (a)(b)	4,344,600
66,000	Community Bank of Orange, N.A.	165,000
75,800	Connecticut Bank & Trust	454,800
114,831	Dearborn Bancorp, Inc. (c)	872,716
122,000	Eastern Virginia Bankshares (c)	2,158,180
97,200	FC Holdings, Inc. (a)(b)	972,000
5,700	First Advantage Bancorp	66,975
	First American International	
39,700	(a)(b)	1,250,550
	First California Financial	
141,978	Group, Inc. (c)	1,206,813
17,400	First Capital Bancorp, Inc.	232,725
219,534	First Regional Bancorp	3,600,358
212,000	First Security Group, Inc. (c)	1,924,960
66,726	First Southern Bancorp (a)(b)	1,234,431
28,200	First State Bank (b)	197,400

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2,880	First Trust Bank (c)	35,453
193,261	Florida Capital Group (a)(b)	2,222,501
15,645	FNB Bancorp	383,302
121,936	Gateway Financial Holdings	1,292,522
70,000	Great Florida Bank Class A	543,900
137,700	Great Florida Bank Class A	1,069,929
15,300	Great Florida Bank Class B	107,865
228,000	Hampshire First Bank (a)	1,903,800
33,527	Heritage Oaks Bancorp	427,469
49,200	ICB Financial (a)	250,920
	International Bancshares Corporation	
142,546		3,218,689

Shares	Description	Value (Note 1)
Banks & Thrifts - continued		
	Katahdin Bankshares Corporation (a)	
19,000		\$ 314,450
70,085	MetroCorp Bancshares, Inc. (c)	896,387
905,600	National Bancshares, Inc. (a)(b)	2,218,720
39,900	New England Bancshares, Inc. (a)(c)	448,875
138,600	NewBridge Bancorp (c)	1,214,136
5,400	North Dallas Bank & Trust Company	308,070
312,228	Northfield Bancorp, Inc.	3,200,337
37,637	Northrim Bancorp, Inc. (c)	684,241
40,500	Oak Ridge Financial Services, Inc.	410,062
2,500	Old Point Financial Corporation (c)	47,825
54,208	Parkway Bank Pennsylvania Commerce Bancorp (c)	482,451
130,500		3,425,625
163,590	Pilot Bancshares, Inc. (a)	1,128,771
190,540	Republic First Bancorp, Inc. (c)	939,362
65,945	SCBT Financial Corporation (c)	2,228,941
225,100	Signature Bank (c) Southern Connecticut Bancorp, Inc. (c)	5,740,050
111,615		781,305
92,369	Southern First Bancshares, Inc. (c)	1,382,764
302,900	Square 1 Financial, Inc. (a)(b)	4,543,500
97,500	State Bancorp, Inc. (a)	1,150,500
84,158	Sterling Bank	430,047
32,450	SuffolkFirst Bank (c)	238,832
230,845	Sun Bancorp, Inc. (c)	3,040,229
79,800	TIB Financial Corporation (c)	638,400
71,900	Tidelands Bancshares, Inc.	678,017
52,148	Valley Commerce Bancorp	758,753
36,100	VIST Financial Corporation (c)	641,497
	Wainwright Bank & Trust Company (c)	
177,763		2,191,818
		97,862,724

Diversified Financial Services-5.5%

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Affinity Financial
Corporation (a)(b)