

***FIRST FINANCIAL HOLDINGS, INC.***

*34 Broad Street  
Charleston, South Carolina 29401  
843-529-5933*

December 12, 2008

Dear Shareholder:

You are cordially invited to attend the 2009 annual meeting of shareholders of First Financial Holdings, Inc. to be held at our main office, located at 34 Broad Street, Charleston, South Carolina, on Thursday, January 29, 2009, at 5:30 p.m., Eastern Standard Time.

The Notice of Annual Meeting of Shareholders and Proxy Statement on the following pages describe the formal business to be transacted at the meeting. During the meeting, we will also report on our operations. Our directors and officers, as well as a representative of Grant Thornton LLP, our independent registered public accounting firm, will be present to respond to appropriate questions from shareholders. The Grant Thornton LLP representative will have the opportunity to make a statement if he or she desires to do so.

To ensure proper representation of your shares at the meeting, please sign, date and return the enclosed proxy card in the postage-paid envelope as soon as possible or vote by telephone or over the Internet, even if you currently plan to attend the meeting. This will not prevent you from voting in person, but will assure that your vote is counted if you are unable to attend the meeting.

**SINCERELY,**

A handwritten signature in black ink, appearing to read "A. Thomas Hood", written in a cursive style.

**A. THOMAS HOOD  
PRESIDENT AND CHIEF EXECUTIVE OFFICER**

**FIRST FINANCIAL HOLDINGS, INC.**  
**34 Broad Street**  
**Charleston, South Carolina 29401**  
**843-529-5933**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**JANUARY 29, 2009**

Notice is hereby given that the annual meeting of shareholders of First Financial Holdings, Inc. will be held at our main office, located at 34 Broad Street, Charleston, South Carolina, on Thursday, January 29, 2009, at 5:30 p.m., Eastern Standard Time, for the following purposes:

- Proposal 1: To elect three directors to each serve for a three-year term; and
- Proposal 2: To ratify the appointment of Grant Thornton LLP as our independent accounting firm for the fiscal year ending September 30, 2009.

We will also consider and act upon such other matters as may properly come before the meeting or any adjournments or postponements thereof. As of the date of this notice, we are not aware of any other business to come before the meeting.

The Board of Directors has fixed the close of business on December 1, 2008 as the record date for the annual meeting. This means that shareholders of record at the close of business on that date are entitled to receive notice of, and to vote at, the meeting and any adjournments or postponements thereof.

In accordance with the new SEC "Notice and Access" rules, you may access our Proxy Statement at <http://www.cfpproxy.com/4223>, which does not have "cookies" that identify visitors to the site. Pursuant to new rules promulgated by the Securities and Exchange Commission (the "SEC"), we have elected to provide access to our proxy materials by notifying you of the availability of our proxy materials on the Internet. This Proxy Statement and our Form 10-K are also available at our website at [www.firstfinancialholdings.com](http://www.firstfinancialholdings.com).

Whether or not you plan to attend the meeting, please complete and sign the enclosed form of proxy which is solicited by the Board of Directors, and mail it promptly in the envelope provided, or vote by telephone or over the Internet using the voting procedures described on your proxy card. The proxy will not be used if you attend and vote in person at the meeting.

BY ORDER OF THE BOARD OF DIRECTORS



DOROTHY B. WRIGHT  
CORPORATE SECRETARY

CHARLESTON, SOUTH CAROLINA  
DECEMBER 12, 2008

**IMPORTANT:** Your prompt response will save us the expense of further requests for proxies in order to ensure a quorum at the meeting. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed in the United States. Alternatively, you may vote by telephone or over the Internet by following the voting procedures and instructions. Regardless of the number of shares you own, your vote is important.

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**PROXY STATEMENT  
OF  
FIRST FINANCIAL HOLDINGS, INC.  
34 BROAD STREET  
CHARLESTON, SOUTH CAROLINA 29401  
843-529-5933**

**ANNUAL MEETING OF SHAREHOLDERS  
JANUARY 29, 2009**

The Board of Directors of First Financial Holdings, Inc. is using this Proxy Statement to solicit proxies from our shareholders for use at the annual meeting of shareholders. We are making this Proxy Statement and the enclosed form of proxy available to our shareholders on or about December 12, 2008.

The information provided in this Proxy Statement relates to First Financial Holdings, Inc. and its wholly-owned subsidiaries, First Federal Savings and Loan Association of Charleston, First Southeast Insurance Services, Inc., Kimbrell Insurance Group, Inc, and First Southeast Investor Services, Inc. First Financial Holdings, Inc. may also be referred to as "First Financial" and First Federal Savings and Loan Association of Charleston may also be referred to as "First Federal." A reference to "we," "us" and "our" refer to First Financial and, as the context requires, First Federal.

**INFORMATION ABOUT THE ANNUAL MEETING**

**Time and Place of the Annual Meeting**

Our annual meeting will be held as follows:

**Date:** Thursday, January 29, 2009

**Time:** 5:30 p.m., Eastern Standard Time

**Place:** First Financial Holdings, Inc., 34 Broad Street, Charleston, South Carolina

**Matters to Be Considered at the Annual Meeting**

At the meeting, you will be asked to consider and vote upon the following proposals:

**Proposal 1:** Election of three directors of First Financial to each serve for a three-year term.

**Proposal 2:** Ratification of the appointment of Grant Thornton LLP as our independent accounting firm for the fiscal year ending September 30, 2009.

We also will transact any other business that may properly come before the annual meeting. As of the date of this Proxy Statement, we are not aware of any other business to be presented for consideration at the annual meeting other than the matters described herein.

**Who is Entitled to Vote?**

We have fixed the close of business on December 1, 2008 as the record date for shareholders entitled to notice of and to vote at our annual meeting. Only holders of record of First Financial's common stock on that date are entitled to notice of and to vote at the annual meeting. You are entitled to one vote for each share of First Financial common stock you own. On December 1, 2008, there were 11,696,374 shares of First Financial's common stock outstanding and entitled to vote at the annual meeting.

## **How Do I Vote at the Annual Meeting?**

This Proxy Statement and First Financial's Annual Report on Form 10-K are available at <http://www.cfpproxy.com/4223>. In accordance with the new SEC rules, you may access our Proxy Statement at <http://www.cfpproxy.com/4223>, which does not have "cookies" that identify visitors to the site. Pursuant to new rules promulgated by the Securities and Exchange Commission (the "SEC"), we have elected to provide access to our proxy materials by notifying you of the availability of our proxy materials on the Internet. This Proxy Statement and our Form 10-K are also available at our website at [www.firstfinancialholdings.com](http://www.firstfinancialholdings.com).

Proxies are solicited to provide all shareholders of record on the voting record date an opportunity to vote on matters scheduled for the annual meeting and described in these materials. You are a shareholder of record if your shares of First Financial common stock are held in your name. If you are a beneficial owner of First Financial common stock held by a broker, bank or other nominee (i.e., in "street name"), please see the instructions in the following question.

Shares of First Financial common stock can only be voted if the shareholder is present in person or by proxy at the annual meeting. To ensure your representation at the annual meeting, we recommend you vote by proxy even if you plan to attend the annual meeting. You can always change your vote at the meeting if you are a shareholder of record.

Voting instructions were mailed to shareholders of record on December 12, 2008. Shares of First Financial common stock represented by properly executed proxies will be voted by the individuals named on the proxy and in accordance with the shareholder's instructions. Where properly executed proxies are returned to us with no specific instruction as how to vote at the annual meeting, the persons named in the proxy will vote the shares "FOR" the election of each of our director nominees and "FOR" the ratification of the appointment of Grant Thornton LLP. If any other matters are properly presented at the annual meeting for action, the persons named in the enclosed proxy and acting thereunder will have the discretion to vote on these matters in accordance with their best judgment. We do not currently expect that any other matters will be properly presented for action at the annual meeting.

You may receive more than one proxy card depending on how your shares are held. For example, you may hold some of your shares individually, some jointly with your spouse and some in trust for your children. In this case, you will receive three separate proxy cards to vote.

## **What if My Shares Are Held in Street Name?**

If you are the beneficial owner of shares held in street name by a broker, your broker, as the record holder of the shares, is required to vote the shares in accordance with your instructions. If your common stock is held in street name, you will receive instructions from your broker that you must follow in order to have your shares voted. Your broker may allow or require you to deliver your voting instructions via the telephone or the Internet. Please see the instructions that accompany this Proxy Statement. If you do not give instructions to your broker, your broker may nevertheless vote the shares with respect to discretionary items, but will not be permitted to vote your shares with respect to non-discretionary items, pursuant to current industry practice. In the case of non-discretionary items, shares not voted are treated as "broker non-votes." The proposals to elect directors and ratify the appointment of our independent accounting firm described in this Proxy Statement are considered discretionary items under the rules of The Nasdaq Stock Market LLC ("Nasdaq").

If your shares are held in street name, you will need proof of ownership to be admitted to the annual meeting. A recent brokerage statement or letter from the record holder of your shares are examples of proof of ownership. If you want to vote your shares of common stock held in street name in person at the annual

meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

### **How Many Shares Must Be Present to Hold the Meeting?**

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by proxy, of at least a majority of the shares of First Financial common stock entitled to vote at the annual meeting as of the record date will constitute a quorum. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

### **What if a Quorum Is Not Present at the Meeting?**

If a quorum is not present at the scheduled time of the meeting, a majority of the shareholders present or represented by proxy may adjourn the meeting until a quorum is present. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given unless the meeting is adjourned for 30 days or more. An adjournment will have no effect on the business that may be conducted at the meeting.

### **Vote Required to Approve Proposal 1: Election of Directors**

Directors are elected by a plurality of the votes cast, in person or by proxy, at the annual meeting by holders of First Financial common stock. Accordingly, the three nominees for election as directors who receive the highest number of votes actually cast will be elected. Pursuant to our Certificate of Incorporation, shareholders are not permitted to cumulate their votes for the election of directors. Votes may be cast for or withheld from each nominee. Votes that are withheld and broker non-votes will have no effect on the outcome of the election because the three nominees receiving the greatest number of votes will be elected. **Our Board of Directors unanimously recommends that you vote “FOR” the election of each of its director nominees.**

### **Vote Required to Approve Proposal 2: Ratification of the Appointment of Independent Accounting Firm**

Ratification of the appointment of an independent accounting firm is by a majority of the votes cast, in person or by proxy, at the annual meeting by holders of First Financial common stock. Abstentions are not affirmative votes and, therefore, will have the same effect as a vote against the proposal and broker non-votes will be disregarded and will have no effect on the outcome of the vote. **Our Board of Directors unanimously recommends that you vote “FOR” the ratification of the appointment of the independent accounting firm.**

### **May I Revoke My Proxy?**

You may revoke your proxy before it is voted by:

- submitting a new proxy with a later date;
- notifying the Corporate Secretary of First Financial in writing before the annual meeting that you have revoked your proxy;
- entering a new vote by telephone or over the Internet (following the instructions on the enclosed proxy card); or
- voting in person at the annual meeting.

If you plan to attend the annual meeting and wish to vote in person, we will give you a ballot at the annual meeting. However, if your shares are held in street name, you must bring a validly executed proxy from the nominee indicating that you have the right to vote your shares.

### **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following tables set forth, as of December 1, 2008, the voting record date, information regarding share ownership of:

- those persons or entities (or groups of affiliated persons or entities) known by management to beneficially own more than five percent of First Financial's common stock;
- each non-employee director (including director nominees) of First Financial;
- each employee director of First Financial;
- each executive officer of First Financial or First Federal named in the Summary Compensation Table appearing under "Executive Compensation" below (known as "named executive officers") and who is not a director; and
- all directors and named executive officers of First Financial and First Federal as a group.

Persons and groups who beneficially own in excess of five percent of First Financial's common stock are required to file with the Securities and Exchange Commission ("SEC"), and provide a copy to us, reports disclosing their ownership pursuant to the Securities Exchange Act of 1934. To our knowledge, no other person or entity, other than those set forth below, beneficially owned more than five percent of the outstanding shares of First Financial's common stock as of the close of business on the voting record date.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In accordance with Rule 13d-3 of the Securities Exchange Act, a person is deemed to be the beneficial owner of any shares of common stock if he or she has voting and/or investment power with respect to those shares. Therefore, the table below includes shares owned by spouses, other immediate family members in trust, shares held in retirement accounts or funds for the benefit of the named individuals, and other forms of ownership, over which shares the persons named in the table may possess voting and/or investment power. In addition, in computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to outstanding options that are currently exercisable or exercisable within 60 days after the voting record date are included in the number of shares beneficially owned by the person and are deemed outstanding for the purpose of calculating the person's percentage ownership. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership <sup>1,2</sup>	Percent of Shares of Common Stock Outstanding
<b>Beneficial Owners of More Than 5%</b>		
Barclays Global Investors, NA <sup>1</sup> Barclays Global Fund Advisors 45 Fremont Street San Francisco, CA 94105	844,110	7.22%
Private Capital Management, L. P. <sup>2</sup> 8889 Pelican Bay Blvd., Suite 500 Naples, FL 34108	813,685	6.96%
<sup>1</sup>	Based solely on a Schedule 13G, filed with the SEC on February 5, 2008. Barclays Global Investors, NA has sole voting power over 580,398 shares and sole dispositive power over 646,249 shares of First Financial's common stock, and Barclays Global Fund Advisors has sole voting and dispositive power over 197,861 shares of First Financial's common stock, all of which shares are held in trust accounts for economic benefit of the beneficiaries of those accounts.	
<sup>2</sup>	Based solely on a Schedule 13F-HR, filed with the SEC on August 14, 2008. Private Capital Management, L.P. has shared voting and dispositive power over 805,185 shares of First Financial's common stock, as to which it disclaims beneficial ownership.	



Name and Address of Beneficial Owner	Total Number of Shares Owned	Options Exercisable Within 60 Days	Total Beneficial Ownership of Common Stock <sup>1</sup>	Percent of Shares of Common Stock Outstanding
<b>Non-Employee Directors</b>				
Paula Harper Bethea	15,466	167	15,633	<sup>2</sup>
Paul G. Campbell, Jr.	16,612	13,455	30,067	<sup>2</sup>
Ronnie M. Givens	20,019	167	20,186	<sup>2</sup>
Thomas J. Johnson	39,743	167	39,910	<sup>2</sup>
James C. Murray	41,438	2,801	44,239	<sup>2</sup>
D. Kent Sharples	36,297	4,747	41,044	<sup>2</sup>
Henry M. Swink	22,370	12,409	34,779	<sup>2</sup>
<b>Employee Directors</b>				
A. Thomas Hood <sup>3</sup>	205,956	23,834	229,790	1.96%
James L. Rowe	10,792	8,252	19,044	<sup>2</sup>
<b>Named Executive Officers Who Are Not Directors</b>				
Charles F. Baarcke, Jr.	61,653	6,834	68,487	<sup>2</sup>
Susan E. Baham <sup>4</sup>	87,122	12,500	99,622	<sup>2</sup>
C. Alexander Elmore, Jr.	-0-	18,467	18,467	
R. Wayne Hall	5,869	1,334	7,203	<sup>2</sup>
John L. Ott, Jr.	118,699	20,834	139,533	1.19%
All Directors and Executive Officers as a group (14 persons)	682,036	125,968	808,004	6.83%
<sup>1</sup>	The foregoing directors and executive officers have sole voting and investment power over the shares of common stock beneficially owned by them on December 1, 2008, except for the following shares over which the directors and executive officers disclaim voting and/or investment power: Mr. Murray-869 shares; Mr. Hood-9,201 shares; Mr. Rowe-2,006 shares; Mr. Baarcke-44,948 shares; Mrs. Baham-19,727 shares; and Mr. Ott-38,575 shares.			
<sup>2</sup>	Less than one percent of shares outstanding.			
<sup>3</sup>	Mr. Hood is also a named executive officer of First Financial.			
<sup>4</sup>	Mrs. Baham is the former Executive Vice President /Chief Operating Officer. She retired September 26, 2008.			

### PROPOSAL 1 – ELECTION OF DIRECTORS

Our Board of Directors is currently composed of nine members and is divided into three classes. One-third of the directors are elected each year to serve for a three-year period or until their respective successors are elected and qualified. The Board of Directors selects nominees for election as directors, based on the recommendation of the Corporate Governance/Nominating Committee. This committee is comprised solely of independent directors.

A. Thomas Hood, James L. Rowe and Henry M. Swink have each been nominated for election to the Board for three-year terms. All nominees are currently members of the Board and each has consented to being named in this Proxy Statement and to serving as a director on the Board if elected. It is intended that the proxies solicited by the Board will be voted for the election of these nominees. If any nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of a substitute recommended by the Board or the Board may adopt a resolution to amend our Bylaws to reduce the size of the Board. At this time, the Board knows of no reason why any nominee might be unavailable to serve if elected.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” ALL NOMINEES FOR ELECTION AS DIRECTORS OF FIRST FINANCIAL.**

The following table sets forth certain information regarding the nominees for election at the meeting as well as information regarding those directors continuing in office after the meeting.

Name	Age <sup>1</sup>	Year First Elected Director <sup>2</sup>	Year Term Expires
<b>Board Nominees</b>			
A. Thomas Hood <sup>3</sup>	62	1987	2012 <sup>4</sup>
James L. Rowe	65	2001	2012 <sup>4</sup>
Henry M. Swink	63	2002	2012 <sup>4</sup>
<b>Directors Continuing In Office</b>			
Paula Harper Bethea <sup>3</sup>	53	1996	2010
Paul G. Campbell, Jr. <sup>3</sup>	62	1991	2010
Ronnie M. Givens	66	2004	2010
Thomas J. Johnson <sup>3</sup>	58	1998	2011
James C. Murray <sup>3</sup>	69	1991	2011
D. Kent Sharples	65	1992	2011
<sup>1</sup> As of September 30, 2008.			
<sup>2</sup> Includes prior service, as applicable, on the Board of Directors of First Federal.			
<sup>3</sup> Also serves as a director of First Federal.			
<sup>4</sup> Assuming reelection.			

The following discussion presents the principal occupation and other business experience during at least the last five years with respect to each of the nominees at the meeting:

**A. THOMAS HOOD** is President and Chief Executive Officer of First Financial and First Federal.

Mr. Hood began his career with First Federal in 1975 and was named President and Chief Executive Officer of First Federal in February of 1995, and President and Chief Executive Officer of First Financial in July of 1996. He was elected to the Board of Directors in 1987. He is a graduate of The Citadel and is licensed as a Certified Public Accountant.

Mr. Hood serves on the Board of the Charleston Education Network, a public education advocacy organization. He is also a member of the Focus Partners, a group focused on funding new initiatives in public education. He has served as a member of the Executive Committee and past Chairman of the Board of Directors of the Trident United Way (TUW).

Mr. Hood is also involved in numerous professional and community organizations, including the Board of Directors of the Business Development Corporation of South Carolina. He also serves as a member and is Treasurer of the Trident CEO Council, is Chairman of the Charleston Regional Health Council and serves on the Board and Executive Committee and is past Chairman of the Charleston Metro Chamber of Commerce. He is also a director of The Education Foundation and the Charleston Metro Chamber of Commerce's BAC-PAC. He is also a past director of the Charleston Regional Development Alliance and he serves as a director for The Salvation Army where he is past Chairman of the Advisory Board and a recipient of the "Others" award. He previously served as a member of the Thrift Industry Advisory Committee, an advisory group to the Federal Reserve Board of Governors and as a member and Chairman of the Financial Institutions Accounting Committee, a national banking trade association committee.

**JAMES L. ROWE** is President of First Southeast Insurance Services, Inc. and Kinghorn Insurance Services, Inc., subsidiaries of First Financial. Mr. Rowe is active in the community, currently serving as director for Palmetto Electric Cooperative, Central Electric Power Cooperative, Commissioner for Broad Creek Public Service District and a member and President of Rowe Farm LLC. He is an active member of Christ Lutheran Church on Hilton Head Island. Mr. Rowe is past director for Lutheran Homes of South Carolina and the Hilton Head/Bluffton Chamber of Commerce Board. He has served on various insurance company/agency councils and has been the recipient of the Young Agent of the Year Award in 1984 and Independent Agent of the Year Award in 2001, which were presented by the Independent Insurance Agents of South Carolina. He previously served two three year terms on the Board of Directors for the Independent Insurance Agents of South Carolina.

**HENRY M. SWINK** is President of McCall Farms, Inc. a food processing company that manufactures and markets canned fruits and vegetables throughout the Southeast. From 1996 until 2002, he served as a director of Peoples Federal Savings and Loan Association ("Peoples Federal"), a federally insured subsidiary of First Financial until its merger with First Federal on August 30, 2002. Mr. Swink is active in various civic activities having been a member of the Florence Kiwanis Club for 33 years. He is Chairman of the Advisory Board for Carolina Hospital Systems, serves on the Doctors Bruce-Lee Foundation, and chairs the Finance Committee of this Foundation. He is an active member of the Effingham Presbyterian Church and has served on the Session for 23 years. He currently serves on the Board of the Legislative Audit Council and the Clemson University Board of Visitors.

The present principal occupation and other business experience during the last five years of each director continuing in office is set forth below:

*Paula Harper Bethea* joined First Financial's and First Federal's Boards of Directors in 1996. She is the Director of External Relations for McNair Law Firm. Previously, she served as Director of Client Relations and Development for Bethea, Jordan & Griffin, P.A. of Hilton Head Island, South Carolina, a law firm.

*Paul G. Campbell, Jr.* was elected to First Financial's and First Federal's Boards of Directors in 1991. He is the retired President of the Southeast Region for Alcoa Primary Metals, the world's leading aluminum reduction company. He continues to work for Alcoa and others as a consultant. He was elected to the South Carolina Senate in June 2007.

*Ronnie M. Givens* has served as a director of First Financial since December 2004. He is a Certified Public Accountant with 40 years of professional experience and is a director of Dixon Hughes PLLC, a certified public accounting and business advisory firm. Prior to his firm merging with Dixon Hughes on November 1, 2006, Mr. Givens was a founding member of Gamble Givens & Moody LLC.

*Thomas J. Johnson* has served as a director of First Financial since 1998 and as a director of First Federal since 2002. He is President, Chief Executive Officer and Owner of F & J Associates, a company that owns and operates automobile dealerships in the southeastern United States and the U.S. Virgin Islands.

*James C. Murray* has served as a director of First Financial since 1991 and is Chairman of the Boards of First Financial and First Federal. He is a retired Registered Professional Engineer and retired President, Chief Executive Officer and Chairman of the Board of Directors of Utilities Construction Company, Inc., and its subsidiaries, an electrical contracting company specializing in high voltage electrical work and heavy industrial work in the southeastern United States.

*D. Kent Sharples* has served as a director of First Financial since 1992 and as a director of Peoples Federal Savings and Loan Association (an institution acquired by First Financial and later merged into First Federal) from 1984 through 1999. Dr. Sharples has been President of Daytona State College (formerly known as Daytona Beach Community College), Daytona Beach, Florida since July 1999. From July 1980 to July 1999, he was President of Horry-Georgetown Technical College, Conway, South Carolina.

## MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE MATTERS

### Board of Directors

First Financial's Board of Directors conducts its business through Board meetings and through its committees. During the fiscal year ended September 30, 2008, the Board held 15 meetings. No director attended less than 75 percent of the total meetings of the Board and committees on which the director served during this period for First Financial.

### Committees and Committee Charters

The Board of Directors has standing Executive, Compensation/Benefits, Audit and Corporate Governance/Nominating committees. The Compensation/Benefits, Audit and Corporate Governance/Nominating committees have adopted written charters and they are available on our website at [www.firstfinancialholdings.com](http://www.firstfinancialholdings.com).

The following table lists the membership of the standing committees of the Board of Directors:

Director	Executive	Compensation/ Benefits	Audit	Corporate Governance/ Nominating
Paula Harper Bethea	✓	✓		✓
Paul G. Campbell, Jr.	✓		✓	
Ronnie M. Givens		✓	✓	
A. Thomas Hood	✓			
Thomas J. Johnson			✓	✓
James C. Murray	✓		✓	✓
James L. Rowe				
D. Kent Sharples		✓	✓	
Henry M. Swink		✓		✓

The Executive Committee, composed of Mrs. Bethea, Mr. Campbell, Mr. Hood and Mr. Murray, did not meet during the fiscal year ended September 30, 2008. The full Board meets monthly in executive session, both with and without the presence of management directors.

The Audit Committee, composed of Messrs. Givens (Chairman), Campbell, Johnson, Murray and Sharples, meets at least quarterly to:

- Monitor the integrity of the financial reporting process and systems of internal controls regarding finance, accounting, regulatory and legal compliance.
- Appoint, compensate and oversee the work of the independent registered public accounting firm employed for the purpose of preparing an audit report or related work.
- Facilitate communication among the independent registered public accounting firm, management, employees, the Chief Risk Officer, the internal audit service provider and the Board of Directors.
- Approve loans made to affiliates.

This Committee met 12 times during the fiscal year ended September 30, 2008. For additional information regarding the Audit Committee, see “Audit Committee Matters” included herein.

The Compensation/Benefits Committee, composed of Mr. Swink (Chairman), Mrs. Bethea, Mr. Givens and Dr. Sharples, reviews compensation policies and benefit plans of First Financial, grants stock options and recommends compensation for senior management. This Committee held seven meetings during the fiscal year ended September 30, 2008.

The Corporate Governance/Nominating Committee, composed of Mrs. Bethea (Chairman), Mr. Johnson, Mr. Murray and Mr. Swink, selects the nominees for election as director. The appointment of the Corporate Governance/Nominating Committee is authorized by Article II, Section 14 of First Financial’s Bylaws, which also provides that: “No nominations for directors except those made by the nominating committee shall be voted upon at the annual meeting unless other nominations by stockholders are made in writing and delivered to the Secretary of the Corporation in accordance with the provisions of the Corporation’s Certificate of Incorporation.” The Corporate Governance/Nominating Committee met two times during the fiscal year ended September 30, 2008. For additional information regarding the Corporate Governance/Nominating Committee, see “Corporate Governance/Nominating Committee Matters” included herein.

## **Corporate Governance**

We and our affiliates and subsidiaries are committed to maintaining high standards of corporate governance. Our executive officers and the Board of Directors have worked together to establish a comprehensive set of corporate governance initiatives that they believe will serve the long-term interests of First Financial’s shareholders and employees. These initiatives are intended to comply with the provisions contained in the Sarbanes-Oxley Act of 2002, the rules and regulations of the SEC adopted thereunder, and the Nasdaq rules. The Board will continue to evaluate, and improve our corporate governance principles and policies as necessary and as required.

**Director Independence.** The Board is comprised of a majority (78%) of independent directors in compliance with SEC and Nasdaq rules. All members of the Audit, Compensation/Benefits and Corporate Governance/Nominating committees are independent pursuant to SEC and Nasdaq rules. The members of these committees do not have any relationship to First Financial that may interfere with the exercise of their independence from management and First Financial. None of the members of these committees are current or former officers or employees of First Financial or its affiliates. The Board has determined that all members of the Board are independent, except for A. Thomas Hood, President and Chief Executive Officer of First Financial and First Federal, and James L. Rowe, President of First Southeast Insurance Services, Inc.

**Code of Business Conduct and Ethics.** We have had a written code of conduct for our officers, directors and employees since 1988. On May 22, 2008, the Board of Directors adopted a revised Code of

Business Conduct and Ethics for our officers (including the senior financial officers), directors and employees. The Code of Business Conduct and Ethics requires our officers, directors and employees to maintain the highest standards of professional and ethical conduct. The Code includes guidelines relating to the ethical handling of actual or potential conflicts of interest, compliance with laws, accurate financial reporting, and procedures for promoting compliance with, and reporting violations of the Code. A copy of the Code of Business Conduct and Ethics is posted on our website at [www.firstfinancialholdings.com](http://www.firstfinancialholdings.com).

**Securities Trading Policy.** Executives and other employees may not engage in any transaction in which they may profit from short-term speculative swings in the value of First Financial’s securities. This includes “short sales” (selling borrowed securities which the seller hopes can be purchased at a lower price in the future) or “short sales against the box” (selling owned, but not delivered securities), “put” and “call” options (publicly available rights to sell or buy securities within a certain period of time at a specified price or the like) and hedging transactions, such as zero-cost dollars and forward sale contracts. In addition, this policy is designed to ensure compliance with all SEC insider trading rules.

**Shareholder Communication with the Board of Directors.** The Board has established a process for shareholders and other interested parties to communicate directly with the Chairman of the Board of First Financial or with the non-management directors individually or as a group. Any shareholder or other interested party who desires to contact one or more of the directors, including the Chairman of the Board, may send a letter to the following address:

Board of Directors (or Chairman or name of individual director)  
c/o Dorothy B. Wright, Corporate Secretary  
First Financial Holdings, Inc.  
2440 Mall Drive  
Charleston, SC 29406

All such communications will be forwarded to the appropriate director or directors specified in such communications as soon as practicable.

In addition, any shareholder or interested party who has any concerns or complaints relating to accounting, internal accounting controls or auditing matters, may contact the Audit Committee by writing the following address:

First Financial Holdings, Inc. Audit Committee  
c/o Dorothy B. Wright, Corporate Secretary  
First Financial Holdings, Inc.  
2440 Mall Drive  
Charleston, SC 29406

**Annual Meeting Attendance by Directors.** Directors are expected to attend our annual meeting of shareholders, but we do not have a formal policy regarding attendance. We cover or reimburse the directors for all reasonable out-of-pocket expenses associated with attendance at annual meetings. All members of the Boards of Directors of First Financial and First Federal attended the 2008 annual meeting of shareholders.

**Related Party Transactions.** First Federal has followed a policy of granting loans to officers and directors which fully complies with all applicable federal regulations. Loans and extensions of credit to directors and executive officers are made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons not related to the lender (unless the loan or extension of credit is made under a benefit program generally available to all employees), in accordance with our underwriting guidelines, and do not involve more than the normal risk of collectability or present other unfavorable features. Loans in amounts up to \$15,000 are granted pursuant to First Federal’s normal approval procedures. Loans in excess of \$15,000 are required to be reviewed by the Directors loan committee and ratified by the First Financial Audit Committee

and the Board of Directors. Loans and aggregate loans of \$500,000 or greater are reviewed and approved by First Federal's Board of Directors, pursuant to Regulation O of the Federal Reserve Board. All loan approval and review procedures are governed by written policies.

Business loans to directors, executive officers and their related persons are not made with preferential rates or terms. Personal loans, including residential mortgage loans, to those individuals may be made with preferential rates under applicable federal law, so long as those preferential rates are the same as those available to all non-officer employees of First Financial. These preferential rates return to market rates and terms in effect at the time of origination when the director or executive officer leaves. The following table reflects loans to directors and executive officers who, during fiscal 2008, had aggregate indebtedness to First Federal that exceeded \$120,000 at below market rates.

Name	Type of Loan <sup>1</sup>	Interest Paid in Fiscal 2008 (\$)	Rate Discount <sup>2</sup>	Largest Principal Balance in Fiscal 2008 (\$)	Principal Balance at September 30, 2008 (\$)
<i>Executive Officers:</i>					
A. Thomas Hood	First Mortgage	28,142	1.75%	592,731	579,590
R. Wayne Hall	First Mortgage	18,205	1.75%	397,581	389,805
John L. Ott	First Mortgage	5,770	1.75%	131,747	128,609
C. Alec Elmore, Jr.	First Mortgage	14,237	1.75%	294,083	287,770
<i>Directors:</i>					
Paul G. Campbell	First Mortgage	11,085	1.75%	213,916	209,700
<sup>1</sup> Origination and underwriting fees are waived on all first mortgage loans made under the employee loan program. The above loans were all made prior to fiscal 2008.					
<sup>2</sup> Preferential rates are 1% over the one year constant maturity treasury compared with customer's rates which are generally 2.75% over the same index. The preferential rates for the five loans above were made at discounts of 1.75% of the fully indexed rate available to our customers on the same date.					

We lease office space from Mr. Rowe, one of our directors, at prevailing market rates. During the fiscal year ended September 30, 2008, the total payments made were \$306,914.04 of which \$153,457.02 constitutes Mr. Rowe's interest. When insurance agencies are purchased, the Company will often lease the office space from the previous owner. These transactions are approved by the Company's Board of Directors as part of the approval of the acquisition and leases are executed at the closing.

First Federal purchases automobiles through the Ford Motor Company Fleet Program which allows automobiles to be purchased at current fleet prices or prevailing market prices, whichever is lower. Mr. Johnson, one of our directors, owns the Conway Ford dealership and most automobiles are purchased from his dealership. During the fiscal year ended September 30, 2008, the total payments made to Conway Ford were \$151,209.92, all of which constitutes Mr. Johnson's interest. Several times during the year, First Federal compares market pricing among Ford dealerships to ensure we are receiving the best possible prices.

## DIRECTORS' COMPENSATION

The following table sets for the information regarding the compensation earned by or awarded to each director who served on our Board of Directors during the fiscal year ended September 30, 2008, with the exception of A. Thomas Hood, who is our President and Chief Executive Officer and whose compensation is reflected below under "Executive Compensation."



Name	Fees Earned or Paid in Cash (\$) <sup>1</sup>	Stock Awards (\$) <sup>2,3</sup>	Option Awards (\$) <sup>2,4</sup>	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) <sup>5</sup>	Total (\$)
Paula Harper Bethea	28,567	-0-	913	-0-	-0-	6,800	36,280
Paul G. Campbell, Jr.	31,100	-0-	913	-0-	-0-	3,857	35,870
Ronnie M. Givens	29,167	-0-	913	-0-	-0-	5,150	35,230
Thomas J. Johnson	30,500	-0-	913	-0-	-0-	150	31,563
James C. Murray	33,633	-0-	913	-0-	-0-	5,150	39,696
James L. Rowe	-0-	-0-	-0-	-0-	-0-	-0-	-0-
D. Kent Sharples	26,767	-0-	913	-0-	-0-	1,500	29,180
Henry M. Swink	27,567	-0-	913	-0-	-0-	1,350	29,830
<sup>1</sup> Please see the description of directors' fees below.							
<sup>2</sup> Represents the dollar amount recognized for financial statement reporting purposes in 2008 for awards and grants made in the current and prior fiscal years, calculated according to the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment" ("FAS 123R"). For a discussion of valuation assumptions, see Note 18 of the Notes to Consolidated Financial Statements in First Financial's Annual Report on Form 10-K for the fiscal year ended September 30, 2008.							
<sup>3</sup> No awards of stock were made in fiscal 2008 under the 2005 Performance Equity Plan for Non-Employee Directors for performance related to fiscal 2007.							
<sup>4</sup> The amounts shown in this column reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended September 30, 2008, for options granted under our equity compensation plans.							
<sup>5</sup> Consists of payments to travel to board of director meetings, savings on loans due to reduced interest rate under the employee/director loan program, and company matched charitable donations.							

Non-employee members of First Financial's Board who also serve First Federal's Board receive monthly fees of \$1,900, except the Chairman and Vice Chairman of the Board, who receive monthly fees of \$2,400 and \$2,150, respectively. Non-employee members who serve on the Board of either First Financial or First Federal Board receive monthly fees of \$1,667. First Financial's Audit Committee members each receive an additional annual fee of \$2,000 and the Audit Committee Chairman receives an additional annual fee of \$6,000. Directors also receive \$1,250 per day for attending all day joint meetings (with First Financial's management) for strategic planning purposes. These meetings are generally scheduled to occur twice each year. Effective February 1, 2008, the Chairman of First Financial's Compensation/Benefits Committee received an annual fee of \$3,000 and members of this committee received an annual fee of \$1,000. Non-employee directors who serve on First Financial's non-banking subsidiary boards were paid \$200 - \$500 on a quarterly basis. Each director is also entitled to reimbursement for his or her reasonable out-of-pocket expenses incurred in connection with travel to and from, and attendance at, meetings of the Board of Directors or its committees and related activities, including director education courses and materials.

The 2004 Outside Directors Stock Options-For-Fees Plan was approved by shareholders at the 2004 annual meeting of shareholders. In addition to outside directors, the plan also allowed advisory and emeritus directors of First Financial and its subsidiaries to participate in the plan. Under this plan, eligible directors could elect to receive stock options in lieu of cash compensation. In fiscal 2008, this plan was replaced by the 2007 Equity Incentive Plan and directors were awarded stock options under that plan. Directors were



eligible to defer their cash payments in fiscal 2008, however no First Financial director participated in that plan.

The 2005 Performance Equity Plan for Non-Employee Directors was approved by shareholders at the 2005 annual meeting of shareholders. Under this plan, the Boards of Directors of First Financial and First Federal specified performance targets for First Financial and First Federal, as appropriate, and the percentage of total Board fees eligible for conversion to shares of First Financial common stock upon the attainment of the performance targets. Performance targets (return on equity) for fiscal year 2007 were not attained and no shares were awarded to the directors of First Financial and First Federal under the plan. Minimum performance targets for fiscal 2008 were achieved and shares will be awarded in February 2009.

## **EXECUTIVE COMPENSATION COMPENSATION DISCUSSION AND ANALYSIS**

### **Overview and Philosophy**

Our compensation program is designed to attract and retain high quality executive officers and management team members. We believe that a competitive compensation program is an important tool to attract and retain talented executives capable of leading our business in the complex and competitive environment in which we operate. The program directly links pay to performance to ensure that executive compensation is aligned with our strategic goals. We believe that an executive's compensation should be tied to delivering value to our shareholders. The Board of Directors approves and oversees our executive compensation program. The Compensation/Benefits Committee, which consists of independent directors, reviews our compensation policies and benefit plans, grants stock options, reviews the performance of the Chief Executive Officer and recommends compensation for all members of senior management. All executive compensation recommendations are subject to final approval by the Board of Directors.

Key elements of compensation for our executive officers include an annual cash incentive award and equity based awards. The annual cash incentive award is directly linked to specific corporate and personal goals. Base salary, 401(k), profit sharing and other fringe benefits are the remaining components of the total annual compensation package.

We provide a portion of the annual compensation in equity based awards because stock ownership aligns our executive officers' interests with those of our shareholders. The vesting and other design features of these awards, together with our stock ownership guidelines, encourage long-term stock ownership by our executive officers to further motivate them to create long-term shareholder value.

### **Determination of Executive Compensation**

To maintain a fair and equitable compensation program and to offer a competitive wage to attract and retain the best qualified executives, job descriptions are reviewed and revised annually. Job descriptions of the executive officers were used in the job evaluation process and this process established the relative internal value of jobs within First Financial and First Federal. A series of five compensable factors are used to determine the value of the jobs: knowledge and skills, problem solving and decision making, scope of accountability, impact and internal/external contacts.

The Chief Executive Officer annually reviews the performance of each named executive officer. Considerations include experience, management skills, long-term performance, performance during the current fiscal year, individual accomplishments and performance with respect to corporate and personal goals. Along with those factors, the Chief Executive Officer also considers then-current shareholder returns, operating results, asset quality, asset-liability management, regulatory compliance, economic conditions, external events that affect our operations, the competitiveness of the executive's total compensation and our ability to pay an appropriate and competitive salary. The conclusions and recommendations of the Chief

Executive Officer are presented to the Compensation/Benefits Committee, which can accept the recommendations or exercise its discretion in modifying any recommended salary adjustments or awards to executive officers. The Chief Executive Officer's performance is reviewed by the Compensation/Benefits Committee and it makes recommendations for his compensation. All executive compensation recommendations are subject to final approval by the Board of Directors.

The Compensation/Benefits Committee reviewed the Compensation and Performance Comparison published by SNL Financial in September 2007. SNL Financial places each financial institution in a peer group with 28 institutions most like the subject institution in terms of asset size and geography. Thrift peer groups are comprised of both thrifts and banks. For financial institutions with assets of less than \$5 billion, such as First Financial, the process searches for peers in the following sequence: financial institutions in the same state within 40% of total assets; financial institutions in the same region within 40% of total assets; financial institutions in the same state within 80% of total assets; financial institutions in the same region within 80% of total assets. Once 28 banks are found, the sequence stops, and those banks form the peer group. We are a part of the Southeast regional group which includes Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia. The Compensation and Performance Comparison provided information on the following performance measures: three-year total shareholder return; return on average assets, return on average equity, net interest margin, efficiency ratio, non-interest expense/average assets, total equity/assets, non-performing assets/assets, and total one-year and five-year returns. The Compensation/Benefits Committee used this information as a component of its October 2007 annual review of compensation for the named executive officers.

In October 2008, the Compensation/Benefits Committee utilized EquilarInsight™, a resource for benchmarking executive compensation and analyzing chief executive officer and executive pay trends, to aid in the identification of a peer group of publicly-traded companies. In order to benchmark our compensation program and compensation levels, the Compensation/Benefits Committee evaluated the compensation practices of a broad range of companies in the industry with assets of \$2.5 to \$4.0 billion and mean assets of \$3.2 billion. The peer group is comprised of federally chartered banks and savings and loans; and state chartered banks. The following list of 31 peer financial institutions was used by First Financial in October 2008.

- Bancfirst Corp (OK)
- Bank Of The Ozarks Inc (AR)
- Capital City Bank Group Inc (FL)
- Chemical Financial Corp (MI)
- Community Trust Bancorp Inc (KY)
- First Financial Bancorp (OH)
- First Financial Bankshares Inc (TX)
- First Merchants Corp (IN)
- First Place Financial Corp (OH)
- First State Bancorporation (NM)
- Frontier Financial Corp (WA)
- Green Bankshares Inc (TN)
- Harleysville National Corp (PA)
- Independent Bank Corp (MA)
- Independent Bank Corp (MI)
- Integra Bank Corp (IN)
- Lakeland Bancorp Inc (NJ)
- Mainsource Financial Group (IN)
- Midwest Banc Holdings Inc (IL)
- Old Second Bancorp Inc (IL)
- Renasant Corp (MS)
- Republic Bancorp Inc (KY)
- S&T Bancorp Inc (PA)
- Sandy Spring Bancorp Inc (MD)

- SCBT Financial Corp (SC)
- Simmons First National Corp (AR)
- Superior Bancorp (AL)
- TierOne Corp (NE)
- Washington Trust Bancorp Inc (RI)
- West Coast Bancorp (OR)
- WSFS Financial Corp (DE)

In addition to reviewing a performance comparison of these financial institutions, the Compensation/Benefits Committee reviewed reports analyzing Named Executive Officer's total compensation. This allowed the Compensation/Benefits Committee to compare performance and compensation rankings of Named Executive Officers of these financial institutions to First Financial.

The Compensation/Benefits Committee believes that our most direct competitors for executive talent are not necessarily the companies that would be included in an established peer group. Successful executives in the banking industry have a broad range of opportunities in the financial industry generally either with larger or smaller institutions, or with related industry groups or unrelated industry groups in some instances (a chief financial officer, for example). Many of these companies are not publicly traded. The Compensation/Benefits Committee's annual compensation reviews permit an ongoing evaluation of the link between our performance and executive compensation in this greater context.

### **Components of Executive Compensation**

Our executive compensation program is intended to link management's pay with our annual and long-term performance. The program includes both short-term cash compensation and long-term equity compensation. For the fiscal year ended September 30, 2008, the principal components of targeted compensation for the named executive officers were:

- base salary;
- annual incentive award;
- long-term equity incentive compensation;
- 401(k) savings plan contributions;
- profit sharing contributions; and
- certain perquisites.

#### *Base Salary*

Base salary is designed to provide competitive levels of compensation to our executives based upon their experience, duties and scope of responsibility. We pay base salaries because it is necessary to recruit and retain executives. Base salary levels are also important because they are used to determine the target amount of incentive awards and they are used for computing 401(k) and profit sharing contributions.

Salary adjustments are typically considered annually as part of the Compensation/Benefits Committee's review process and base salaries are reviewed for adjustment in October of each year. Salary levels are also considered upon a promotion or other change of job responsibility. Towers Perrin performed a benchmark study several years ago on our compensation plan. Since that time, the Compensation/Benefits Committee has used the *World at Work Salary Budget Survey* to review salary trends in the United States and to aid in determining annual salary adjustments and salary range adjustments. After reviewing the EquilarInsight™ reports in October 2008, the Compensation/Benefits Committee increased the base salary of CEO Hood by \$50,000 and the base salaries of EVP's Baarcke, Hall, Ott and SVP Elmore by \$25,000.

With respect to Named Executive Officers, the Compensation/Benefits Committee took the following factors into account in setting base salaries;

- the base salaries of the Named Executive Officers of peer companies (as reflected in our EquilarInsight™ analysis);
- our success in meeting our return on equity and other financial goals in 2008;
- the performance of our common stock;
- mergers and acquisitions generally;
- an assessment of individual performance;
- the length of service to First Financial Holdings;
- public representation of First Financial Holdings by virtue of community and industry stature; and
- the Consumer Price Index that would otherwise be applicable for the year of evaluation.

#### *Incentive Awards*

In addition to the base salary, we provide named executive officers with performance incentive awards as a form of short-term compensation to compensate them for service rendered during the year. Awards are determined at the end of the year based on the results of our performance during the year as well as each individual's contribution to that performance.

In September 1996, the Board of Directors approved the Management Performance Incentive Compensation Plan. The purpose of the plan is to share the rewards of excellent performance with those executives who provide knowledge and direction to First Financial and First Federal, and work to accomplish results that are above expectations. Company-wide and individual standards of measurement are developed annually and approved by the Board of Directors. First Financial and First Federal must meet the goals as identified in their strategic business plans. If the minimum return on equity is not achieved, no performance incentive is awarded to senior vice presidents, executive vice presidents or the Chief Executive Officer under the plan. If the minimum return on equity is achieved, there is a matrix that determines whether the award will be 25%, 50%, 75%, or 100% of the maximum 65% of base pay possible. The return on equity goals for fiscal 2008 were 12.25-12.75% 25%; 12.76-13.25% 50%; 13.26-13.75% 75% and 13.76% and above 100%.

The table below shows the award opportunities for minimum, target and maximum goal levels, as well as each named executive officer's actual award and individual criteria.

Name	Maximum Potential Incentive Bonus (\$)	Threshold	Target	Maximum	Actual Award (\$)
A. Thomas Hood	189,912	25%	100%	100%	37,122
R. Wayne Hall	148,260	25%	100%	100%	29,652
Charles F. Baarcke	148,260	25%	100%	100%	29,652
Susan E. Baham <sup>1</sup>	--	--	--	--	--
John L. Ott	148,260	25%	100%	100%	29,652
C. Alexander Elmore, Jr.	114,182	25%	100%	100%	22,836
<sup>1</sup>	Executive Vice President Baham retired September 26, 2008 and was not eligible for this bonus.				

The annual cash incentive objectives for the fiscal year ended September 30, 2008 were paid at the 25% threshold.

In addition to return on equity, corporate goals usually include other profitability goals such as return on average assets, the net interest margin, revenue growth; productivity goals such as the efficiency ratio; quality as measured by problem asset ratios, client satisfaction scores; and volume goals such as loan production volumes, new account and household growth. Typically, the executive officers have a high percentage of their goals related to corporate goals while other senior officers may have a mix such as 50% corporate and 50% individual.

The Chief Executive Officer's performance incentive compensation is the average (individual percentages earned totaled and divided by the number of team members who earned their incentives) of all goals achieved by all members of the management team. To illustrate, if the return on equity resulted in 75% of the maximum of 65% being available for incentive, then 48.75% of the base pay is eligible for the incentive. Assuming there were 40 members of the management team who earned incentives and the breakdown was as follows: 10 earned 40%, 10 earned 50%, 10 earned 60%, 5 earned 65%, 3 earned 70% and 2 earned 75%, the Chief Executive Officer's performance incentive compensation would be 54.6% of the 48.75% available incentive award.

Any incentive awards are supplements to annual compensation. No incentive bonus will be awarded to senior vice presidents, executive vice presidents or the Chief Executive Officer for a fiscal year, regardless of performance on individual factors, if First Financial's and First Federal's returns on shareholders' equity are less than the approved minimum for that fiscal year.

#### *Long-term Equity Incentive Compensation*

We also provide executive officers with long-term equity incentive compensation to encourage them to focus on long-term performance and to provide an opportunity for the management team to increase their stake in First Financial through equity based awards.

Long-term equity awards to the named executive officers were made at the Compensation/Benefits Committee's regularly scheduled meeting in November 2007. These awards were made based on the performance of the company in fiscal 2007 and will vest over a three year period. The Compensation/Benefits Committee has historically made equity awards at its May and November meetings.

After considering First Financial's performance and areas needing improvement, the Compensation/Benefits Committee granted stock options to the management team in May 2007 which will vest based on improvement to First Financial's efficiency ratio. The goal is to reduce the efficiency ratio to 59% or less over a three year period. The award required the efficiency ratio to be calculated for the twelve month period ended March 31, 2008, 2009 and 2010. If the stated improvement in the ratio is achieved, the vesting for that year will take place, which is 1/3 of the options. Each year provides the opportunity for vesting to "catch-up" if the subsequent year's goal is achieved. The goal for year one is 63% or less, year two is 61% or less and year three is 59% or less. The March 31, 2008 goal of decreasing the efficiency ratio to 63% was not achieved and as a result, these options have not vested. The efficiency ratio for the twelve month period ended March 31, 2008 was 66.1%. It is important to note that the options awarded in May 2007 are currently underwater.

#### *401(k) Savings Plan*

We offer a tax-qualified retirement savings plan pursuant to which all employees who have completed 30 days of service are eligible to participate. There are two types of salary deferrals, Regular 401(k) deferrals and Roth 401(k) deferrals. Those who participate in the Regular 401(k) can contribute up to 100% of their annual salary on a pre-tax basis subject to limits prescribed by the Internal Revenue Code. Those who participate in the Roth 401(k) must pay current income tax on the deferral contribution. Both plans are referred to as "safe harbor 401(k) plans." A matching contribution is made equal to the sum of 100% of the amount of salary reductions, including any catch-up contributions and/or any Roth elective deferrals that are not in excess of 3% of compensation, plus 50% of the amount of salary reductions that exceed 3% of

compensation but not in excess of 5% of compensation. The following shows the matching applicable quarterly contribution percentage to the extent such additional matching contribution exceeded the safe harbor contribution:

Return on Equity	Contribution Percentages
Less than 4%	0%
4% to less than 8%	25%
8% to less than 12%	50%
12% to less than 16%	75%
16% or more	100%

All employee contributions and matching contributions are fully vested upon contribution. Effective January 1, 2007, plan participants are able to direct the investment of all contributions made by us, as well as their own contributions, from among the investment funds made available under the plan. The investment funds available are a number of mutual funds including targeted retirement date funds and First Financial common stock.

#### *Profit Sharing Contributions*

We have a Profit Sharing Plan, pursuant to which contributions may be made for all employees. Our discretionary profit sharing contribution will be “allocated” or divided among participants eligible to share in the contribution for the plan year. An individual’s share of the contribution will depend upon how much compensation is received during the year and the compensation received by other eligible participants. The allocation of our discretionary profit sharing contribution is determined by the following fraction:

$$\text{Employer's Discretionary Contribution} \times \frac{\text{Individual's Compensation}}{\text{Total Compensation of All Participants Eligible to Share}}$$

The percentage contributed to the profit sharing plan is at the discretion of the Board of Directors and it has been approximately 3.5% to 3.7% over the last several years. For the calendar year ended December 31, 2007, the profit sharing contribution was 3.6%.

#### *Perquisites*

Our named executive officers receive health and welfare benefits, such as group medical, group dental, group life and long-term disability coverage, under plans generally available to all other full-time employees of First Financial and First Federal. They also receive personal time off and discounted loan rates under programs generally available to all full-time employees. Perquisites and other benefits represent a small part of our overall compensation package, and are offered only after consideration of business need. The named executive officers are provided with the use of a company automobile. The use of company automobiles is largely for business purposes. Attributed costs of this perquisite and other personal benefits for the named executive officers for the fiscal year ended September 30, 2008 are included in the “All Other Compensation” column in the Summary Compensation Table.

#### **Executive Stock Ownership Guidelines**

The Compensation/Benefits Committee has established First Financial stock ownership guidelines for members of management. The desired level of stock ownership is based on the market value of the shares owned as a percentage of annual salary. The percentages are 400 percent, 200 percent and 100 percent for the President/Chief Executive Officer, executive vice presidents and other members of the management

teams, respectively. Stock ownership goals are expected to be met within five years. When goals are met, an additional stock option grant may be awarded. All named executive officers, except one, currently meet the stock ownership goals set by First Financial.

### **Compensation Committee Report**

The Compensation/Benefits Committee of First Federal has reviewed and discussed the foregoing Compensation Discussion and Analysis with management and based on such review and discussions, the Compensation/Benefits Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

#### THE COMPENSATION/BENEFITS COMMITTEE

Henry M. Swink, Chairman

Paula Harper Bethea

Ronnie M. Givens

D. Kent Sharples

*This report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, and shall not otherwise be deemed filed under such acts.*

### **Summary Compensation Table**

The following information is furnished with respect to compensation earned during the fiscal years ended September 30, 2008 and 2007 by (1) A. Thomas Hood, our principal executive officer, (2) R. Wayne Hall, our principal financial officer and (3) our three other most highly compensated executive officers, who are Charles F. Baarcke, Jr., John L. Ott, Jr. and C. Alexander Elmore, Jr. Former Executive Vice President Susan E. Baham retired September 26, 2008 and her compensation is furnished as well.

Name and Principal Position	Year	Salary (\$)	Bonus (\$) <sup>1</sup>	Stock Awards (\$)	Option Awards (\$) <sup>2</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>3</sup>	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) <sup>4</sup>	Total (\$)
A. Thomas Hood President and Chief Executive Officer of First Financial and First Federal	2008	291,190	20,000	-0-	18,038	37,122		32,437	398,787
	2007	282,709	-0-	-0-	4,030	-0-	-0-	22,457	309,196
R. Wayne Hall Executive Vice President and Chief Financial Officer of First Financial and First Federal	2008	233,665	20,000	-0-	26,861	29,652	-0-	20,744	330,922
	2007 <sup>5</sup>	166,385	37,000	-0-	7,554	-0-	-0-	17,355	228,294
Charles F. Baarcke, Jr. Executive Vice President of First Financial and First Federal	2008	227,326	20,000	-0-	16,696	29,652	-0-	27,082	320,756
	2007	220,705	-0-	-0-	3,526	-0-	-0-	20,176	244,407
Susan E. Baham Executive Vice President of First Financial and First Federal and Chief Operating Officer of First Federal	2008	227,326	20,000	-0-	7,294	-0-	-0-	31,479	286,099
	2007	221,055	-0-	-0-	-0-	-0-	-0-	25,417	246,472
John L. Ott, Jr. Executive Vice President of First Financial and First Federal	2008	227,326	20,000	-0-	16,695	29,652	-0-	27,366	321,039
	2007	221,055	-0-	-0-	3,526	-0-	-0-	20,093	244,674
C. Alexander Elmore, Jr. <sup>6</sup> Senior Vice President of First Federal	2008	175,074	20,000	-0-	14,689	22,836	-0-	28,221	260,820
<sup>1</sup> Retention bonus.									
<sup>2</sup> Represents the dollar amount recognized for financial statement reporting purposes in 2008 for awards and grants made in the current and prior fiscal years, calculated according to the provisions of FAS 123R. For a discussion of valuation assumptions, see Note 18 of the Notes to Consolidated Financial Statements in First Financial's Annual Report on Form 10-K for the year ended September 30, 2008.									
<sup>3</sup> Amounts in this column represent the cash awards under the Management Performance Incentive Compensation Plan, which is discussed in further detail on page 17 under the heading "Incentive Awards." No awards were provided for fiscal 2007 as the minimum target for Return on Equity was not achieved.									
<sup>4</sup> Please see the table below for more information on the other compensation paid to the named executive officers in the year ended September 30, 2008.									
<sup>5</sup> EVP/CFO Hall was employed on December 1, 2006.									
<sup>6</sup> SVP Elmore was not a named executive officer in fiscal 2007.									



**All Other Compensation.** The following table sets forth details of “All Other Compensation,” as presented above in the Summary Compensation Table.

Name	401(k) and Profit Sharing Contribution (\$)	LTD, AD&D and Life Insurance Premium (\$)	Company Car Usage (\$)	Business/Country Club Memberships (\$)
A. Thomas Hood	26,295	1,458	2,892	1,792 <sup>1</sup>
R. Wayne Hall	15,179	1,458	4,107	-0-
Charles F. Baarcke, Jr.	23,575	1,458	2,049	-0-
Susan E. Baham	24,086	1,458	5,935	-0-
John L. Ott, Jr.	23,575	1,458	2,333	-0-
C. Alexander Elmore, Jr.	18,156	1,458	1,772	6,835 <sup>2</sup>
<sup>1</sup>	This represents the annual dues for the Harbour Club. Mr. Hood uses this club for meals with clients, shareholders, etc.			
<sup>2</sup>	This represents the annual cost of a corporate membership in two clubs used by many members of the management team.			

We provide benefit programs to executive officers and other employees. The following table generally identifies the benefit plans and identifies those employees who may be eligible to participate:

Benefit Plan	Executive Officers	Certain Managers	Full Time Employees
Management Incentive Performance Compensation Plan	✓	✓	
401(k) Plan and Profit-Sharing	✓	✓	✓
Medical/Dental/Vision Plans	✓	✓	✓
Life and Disability Insurance <sup>1</sup>	✓	✓	✓
Stock Option Plans	✓	✓	✓
Change in Control Agreement	✓	✓	
Supplemental Early Retirement Plan	Not Offered	Not Offered	Not Offered
<sup>1</sup>	First Financial provides company-paid long-term disability insurance to eligible full-time employees with a monthly benefit in the amount of 50% of qualified salary to a maximum of \$10,000 per month.		

We believe perquisites for executive officers should be extremely limited in scope and value. As a result, we have historically given nominal perquisites. The following table generally illustrates perquisites we do and do not provide and identifies those employees who may be eligible to receive them:

Type of Perquisites	Executive Officers	Certain Managers and Salespeople	Full Time Employees
Employee/Director Loan Program <sup>1</sup>	✓	✓	✓
Financial Planning Allowance	Not Offered	Not Offered	Not Offered
Automobile Allowance or Use of Company Automobile <sup>2</sup>	✓	✓	✓
Business/Country Club Memberships <sup>3</sup>	✓	✓	Not Offered
Security Services	Not Offered	Not Offered	Not Offered
Dwellings for Personal Use <sup>4</sup>	Not Offered	Not Offered	Not Offered
<sup>1</sup>	All directors, officers and employees who work a minimum of 20 hours per week, and qualify under federal regulations and normal underwriting standards are eligible to receive mortgage, second mortgage, lot, cash reserve, consumer and credit card loans at discounted rates from First Federal. Terms, conditions and discounts vary based on loan type. First Federal expects timely payment of loans from all directors, officers and employees, and delinquent accounts may result in disciplinary action up to and including discharge.		
<sup>2</sup>	Certain employees do receive reimbursement, in accordance with the Internal Revenue Code, for various costs incurred in connection with utilization of their personal vehicle in connection with business travel that is in addition to typical business expenses.		
<sup>3</sup>	First Financial, on a very limited basis, will pay business/country club memberships for use by certain officers and managers to cultivate business relationships.		
<sup>4</sup>	First Financial does not provide dwellings for personal use other than for temporary job relocation housing.		

**Employment Agreements.** We have entered into employment agreements with various employees including each of the named executive officers. Currently, the agreements with Messrs. Hood, Hall, Baarcke and Ott expire on September 30, 2011. Mr. Elmore’s agreement expires September 20, 2010. The agreements provide for a minimum annual salary for Mr. Hood, Mr. Hall, Mr. Baarcke, Mr. Ott and Elmore of \$283,662, \$210,000, \$221,450, \$221,450 and \$165,580 respectively. The agreements also provide for participation in any plan of First Financial relating to pension, profit-sharing or other retirement benefits and medical coverage or reimbursement plans that First Financial may adopt for the benefit of its employees.

The terms of each of the agreements may be extended for an additional 12 full calendar months upon action of the Boards of First Financial and First Federal, as appropriate, prior to the respective anniversary dates of the agreements. Each of the agreements provides for payment of compensation to the officer in the event of termination for various reasons, as described below under “Potential Payments Upon Termination.”

## Grants of Plan-Based Awards

The following table shows information regarding grants of plan-based awards made to our named executive officers for the fiscal year ended September 30, 2008.

Name	Award Type	Date of Grant	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>1</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other	All Other Awards:	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date	Fair Value of Stock and Option Awards (\$) <sup>2</sup>
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)					
A. Thomas Hood	Cash		47,478	189,912	189,912								
	Option	11/20/07				-0-	-0-	-0-	-0-	4,000	27.88	24,996	
R. Wayne Hall	Cash		37,065	148,260	148,260								
	Option	11/20/07				-0-	-0-	-0-	-0-	2,500	27.88	15,623	
	Option	1/2/08				-0-	-0-	-0-	-0-	1,500	25.94	8,633	
Charles F. Baarcke, Jr.	Cash		37,065	148,260	148,260								
	Option	11/20/07				-0-	-0-	-0-	-0-	4,000	27.88	24,996	
Susan E. Baham	Cash		-0-	-0-	-0-								
	Option	11/20/07				-0-	-0-	-0-	-0-	4,000	27.88	24,996	
John L. Ott, Jr.	Cash		37,065	148,260	148,260								
	Option	11/20/07				-0-	-0-	-0-	-0-	4,000	27.88	24,996	
C. Alexander Elmore, Jr.	Cash		28,546	114,182	114,182								
	Option	11/20/07				-0-	-0-	-0-	-0-	2,900	27.88	18,122	
	<sup>1</sup> Represents awards payable under our Management Performance Incentive Compensation Plan. The goals and measurements associated with these awards are described above under Compensation Discussion and Analysis.												
	<sup>2</sup> Total dollar amount to be recognized under SAS 123R should all shares vest.												

## Outstanding Equity Awards

The following information with respect to the outstanding equity awards as of September 30, 2008 is presented for the named executive officers.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) <sup>3</sup>	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
A. Thomas Hood	4,000	-0-	-0-	19.25	11/24/2008	-0-	-0-	-0-	-0-
	4,000	-0-	-0-	17.00	11/23/2009	-0-	-0-	-0-	-0-
	4,000	-0-	-0-	14.00	6/22/2010	-0-	-0-	-0-	-0-
	4,000	-0-	-0-	23.52	11/20/2011	-0-	-0-	-0-	-0-
	4,000	-0-	-0-	25.001	11/26/2012	-0-	-0-	-0-	-0-
	3,000	-0-	-0-	32.28	11/25/2013	-0-	-0-	-0-	-0-
	3,500	-0-	-0-	32.30	11/23/2014	-0-	-0-	-0-	-0-
	-0-	-0-	4,000	33.06	5/24/2012	-0-	-0-	-0-	-0-
	-0-	4,000 <sup>1</sup>	-0-	27.88	11/20/2012	-0-	-0-	-0-	-0-
Total	26,500	4,000	4,000			-0-	-0-	-0-	-0-
R. Wayne Hall	-0-	-0-	3,500	33.06	5/24/2012	-0-	-0-	-0-	-0-
	-0-	4,000 <sup>2</sup>	-0-	33.06	5/24/2012	-0-	-0-	-0-	-0-
	-0-	2,500 <sup>1</sup>	-0-	27.88	11/20/2012	-0-	-0-	-0-	-0-
	-0-	1,500 <sup>1</sup>	-0-	25.94	1/2/2013	-0-	-0-	-0-	-0-
Total	-0-	8,000	3,500			-0-	-0-	-0-	-0-
Charles F. Baarcke, Jr.	2,500	-0-	-0-	32.28	11/25/2013	-0-	-0-	-0-	-0-
	3,000	-0-	-0-	32.30	11/23/2014	-0-	-0-	-0-	-0-
	-0-	-0-	3,500	33.06	5/24/2012	-0-	-0-	-0-	-0-
	-0-	4,000 <sup>1</sup>	-0-	27.88	11/20/2012	-0-	-0-	-0-	-0-
Total	5,500	4,000	3,500			-0-	-0-	-0-	-0-
Susan E. Baham	3,500	-0-	-0-	19.25	11/24/2008	-0-	-0-	-0-	-0-
	3,500	-0-	-0-	17.00	11/23/2009	-0-	-0-	-0-	-0-
	3,500	-0-	-0-	14.00	6/22/2010	-0-	-0-	-0-	-0-
	3,500	-0-	-0-	23.52	11/20/2011	-0-	-0-	-0-	-0-
	3,500	-0-	-0-	25.001	11/26/2012	-0-	-0-	-0-	-0-
	2,500	-0-	-0-	32.28	11/25/2013	-0-	-0-	-0-	-0-
	3,000	-0-	-0-	32.30	11/23/2014	-0-	-0-	-0-	-0-
	-0-	4,000 <sup>1</sup>	-0-	27.88	11/20/2012	-0-	-0-	-0-	-0-
Total	23,000	4,000	-0-			-0-	-0-	-0-	-0-
John L. Ott, Jr.	3,500	-0-	-0-	19.25	11/24/2008	-0-	-0-	-0-	-0-
	3,500	-0-	-0-	17.00	11/23/2009	-0-	-0-	-0-	-0-
	3,500	-0-	-0-	14.00	6/22/2010	-0-	-0-	-0-	-0-
	3,500	-0-	-0-	23.52	11/20/2011	-0-	-0-	-0-	-0-
	3,500	-0-	-0-	25.001	11/26/2012	-0-	-0-	-0-	-0-
	2,500	-0-	-0-	32.28	11/25/2013	-0-	-0-	-0-	-0-
	3,000	-0-	-0-	32.30	11/23/2014	-0-	-0-	-0-	-0-

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) <sup>3</sup>	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
	-0-	-0-	3,500	33.06	5/24/2012	-0-	-0-	-0-	-0-
	-0-	4,000 <sup>1</sup>	-0-	27.88	11/20/2012	-0-	-0-	-0-	-0-
Total	23,000	4,000	3,500			-0-	-0-	-0-	-0-
C. Alexander Elmore, Jr.	5,000	-0-	-0-	23.52	11/20/2011	-0-	-0-	-0-	-0-
	3,500	-0-	-0-	23.52	11/20/2001	-0-	-0-	-0-	-0-
	3,500	-0-	-0-	25.001	11/26/2012	-0-	-0-	-0-	-0-
	2,500	-0-	-0-	32.28	11/25/2013	-0-	-0-	-0-	-0-
	3,000	-0-	-0-	32.30	11/23/2014	-0-	-0-	-0-	-0-
	-0-	-0-	3,500	33.06	5/24/2012	-0-	-0-	-0-	-0-
	-0-	2,900 <sup>1</sup>	-0-	27.88	11/20/2012	-0-	-0-	-0-	-0-
Total	17,500	2,900	3,500			-0-	-0-	-0-	-0-
<sup>1</sup> Stock options vest 33.33% beginning on the first anniversary of the grant date.									
<sup>2</sup> Stock options vest May 24, 2010, three years from the grant date.									
<sup>3</sup> Stock options vest upon reaching set efficiency goals. The goal for April 1, 2007 – March 31, 2008 was not reached; therefore, no options vested.									

### Options Exercised and Stock Vested

During the fiscal year ended September 30, 2008, the named executive officers exercised no stock options and acquired no shares upon vesting of restricted stock.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
A. Thomas Hood	-0-	-0-	-0-	-0-
R. Wayne Hall	-0-	-0-	-0-	-0-
Charles F. Baarcke, Jr.	-0-	-0-	-0-	-0-
Susan E. Baham	-0-	-0-	-0-	-0-
John L. Ott, Jr.	-0-	-0-	-0-	-0-
C. Alexander Elmore, Jr.	-0-	-0-	-0-	-0-

### Potential Payments Upon Termination

We have entered into employment agreements with each of the named executive officers that provide for potential payments upon disability, termination and death. In addition, our equity plans also provide for potential acceleration of benefits upon termination. The following discussion addresses the potential payments that the named executive officers could receive under a variety of scenarios.

**Employment Agreements.** We have entered into employment agreements with each of the named executive officers which provide for payments to the executives upon termination. In the event of the executive's death during the term of the agreement, his or her estate would be entitled to receive the compensation due to the executive through the last day of the calendar month in which the death occurred. Each of the agreements may be terminated by the Board of Directors without cause or for "just cause" (as defined in the agreements). If the Board terminates the employment of an executive without cause, First Financial must continue to pay the executive his or her salary up to the date of termination of the executive's employment agreement. If the executive's employment is terminated for just cause, First Financial is only obligated to pay the executive's salary up to the date of termination.

The employment agreements also provide for severance payments and other benefits in the event of a change in control. If, after a change in control of First Financial or First Federal, First Federal terminates the employment of the executive during the period of employment under the employment agreement for any reason other than just cause, or the executive voluntarily terminates his or her own employment within 12 months following the effective date of the change in control following any change in the capacity or circumstances in which the executive is employed under the employment agreement or reduction in the executive's responsibilities or authority or compensation or other benefits provided under the employment agreement without the executive's written consent, First Financial must pay the executive an amount equal to 2.99 times the executive's then-current salaries for Mr. Hood, Mr. Baarcke, Mr. Hall and Mr. Ott; and two times then-current salary for Mr. Elmore. The payment is paid over the 12-month period following the executive's termination, in accordance with First Federal's customary payroll practices. In addition, following the executive's termination of employment, the executive and his or her dependents, beneficiaries and estate shall continue to be covered under all employee benefit plans of First Financial, including its pension plan, life insurance and health insurance as if the executive were still employed during that period under the employment agreement for a 36-month period for Mr. Hood, Mr. Baarcke, Mr. Hall and Mr. Ott; and for a 24-month period for Mr. Elmore. The agreements contain provisions providing for reduction of any payments that would be deemed to constitute an excess parachute payment under Section 280G of the Internal Revenue Code.

The following table shows the total amounts that would be payable or the value of benefits provided to the named executive officers if their employment had been terminated as of September 30, 2008 under each of the scenarios described below.

Name	Change in Control Severance Payment (\$)	Change in Control Continuation of Benefits (\$)	Termination Without Cause (\$)
A. Thomas Hood	844,768	38,574	876,516
R. Wayne Hall	722,711	38,574	684,279
Charles F. Baarcke, Jr.	650,605	37,098	684,279
Susan E. Baham <sup>1</sup>	-0-	-0-	-0-
John L. Ott, Jr.	652,082	37,098	684,279
C. Alexander Elmore, Jr.	319,090	30,636	351,328
<sup>1</sup>	Mrs. Baham retired September 26, 2008. Her employment contract expired December 31, 2007 and was not renewed in anticipation of her previously announced retirement.		

**Equity Plans.** Our equity plans provide for accelerated vesting of options in the event of a change in control. Specifically, the 2007 Equity Incentive Plan provides that with respect to outstanding and unvested stock options, stock appreciation rights and restricted stock awards, the vesting date shall be accelerated to the earliest date of the change in control. The 2005 Stock Option Plan and the 2001 Stock Option Plan provide that if a tender offer or exchange offer for shares of First Financial's common stock (other than such an offer by First Financial) is commenced, or if a change in control shall occur, unless the committee administering the plan shall have otherwise provided in the award agreement, all options granted and not fully exercisable shall become exercisable in full upon the happening of such event. The 1997 Stock Option and Incentive Plan provides that in the event of a change in control, all then outstanding options shall become 100 percent vested and exercisable as of the effective date of the change in control. If a tender or exchange offer had commenced and change in control had occurred effective as of September 30, 2008, the named executive officers would have received the following benefits:

Name	Accelerated Vesting of Stock Options (\$) <sup>1</sup>	Accelerated Vesting of Stock Appreciation Rights (\$)	Acceleration Vesting of Restricted Stock (\$)
A. Thomas Hood	-0-	-0-	-0-
R. Wayne Hall	360	-0-	-0-
Charles F. Baarcke, Jr.	-0-	-0-	-0-
Susan E. Baham	-0-	-0-	-0-
John L. Ott, Jr.	-0-	-0-	-0-
<sup>1</sup>	Awards made under the 2007 Equity Incentive Plan would accelerate but had no intrinsic value at September 30, 2008.		

### Compensation Committee Interlocks and Insider Participation

The Board of First Financial has a Compensation/Benefits Committee composed of Mrs. Bethea, Mr. Givens, Dr. Sharples and Mr. Swink. The Compensation/Benefits Committee reviews and ratifies the actions of the Compensation Committee of First Federal. No member of the Compensation/Benefits Committee was an officer or employee of First Financial or any of its subsidiaries during the fiscal year ended September 30, 2008, was formerly an officer or employee of First Financial or any of its subsidiaries, or had any relationship otherwise requiring disclosure.

### AUDIT COMMITTEE MATTERS

#### Audit Committee

The Audit Committee of First Financial is composed of five independent directors and operates under a written charter adopted by the Board on May 25, 2000, and amended several times, most recently on August 28, 2008. The Audit Committee is responsible for the appointment, compensation and oversight of our independent registered public accounting firm.

The Board of Directors has determined that Ronnie M. Givens meets the qualifications of an “audit committee financial expert” in accordance with SEC rules, including meeting the relevant definition of “independent director.”

Management is responsible for our internal controls, including internal controls over financial reporting, and the preparation and presentation of the financial statements and overall financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and issuing a report thereon and annually auditing management’s assessment of the effectiveness of internal control over financial reporting. The Audit Committee’s responsibilities include the following:

- review annual and quarterly financial statements prior to filing or distribution and discuss the results of the annual audit;
- review quarterly Chief Executive Officer/Chief Financial Officer certifications;
- review the qualifications, independence and performance of the independent registered public accounting firm;
- review the operation, organizational structure and qualifications of the internal audit service provider;
- review significant reports regarding First Financial prepared by the internal audit service provider;
- review First Financial’s compliance with applicable laws and regulations;
- review employee and shareholder complaints regarding accounting, audit or internal control issues; and
- approve loans to affiliates.

**Report of the Audit Committee.** In fulfilling its responsibilities, the Audit Committee has met and held discussions with management and the independent registered public accounting firm regarding the financial statements for the fiscal year ended September 30, 2008. Management represented to the Audit Committee that First Financial’s consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Audit Committee discussed with the independent registered public accounting firm the matters required to be discussed by Statements of Auditing Standards (“SAS”) No. 61, *Communication with Audit Committees*, as amended by SAS No. 90, *Audit Committee Communications*.

First Financial’s independent registered public accounting firm also provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and the Audit Committee discussed with the independent registered public accounting firm that firm’s independence.

Based upon the Audit Committee’s discussions with management and the independent registered public accounting firm and the Audit Committee’s review of the financial statements and representation of management and the report of the independent registered public accounting firm to the Audit Committee, the Audit Committee recommended that the Board include the audited consolidated financial statements in First Financial’s Annual Report on Form 10-K for the fiscal year ended September 30, 2008, filed with the SEC.



Submitted by the Audit Committee of the First Financial Board of Directors:

Ronnie M. Givens, Chairman  
Paul G. Campbell, Jr.  
Thomas J. Johnson  
James C. Murray  
D. Kent Sharples

**PROPOSAL 2 – RATIFICATION OF THE APPOINTMENT OF INDEPENDENT  
ACCOUNTING FIRM**

The Audit Committee of the Board has appointed Grant Thornton LLP as First Financial's independent accounting firm for fiscal year 2009 and that appointment is being submitted to shareholders for ratification. In the event the appointment is not ratified by a majority of votes cast, in person or by proxy, it is anticipated that no change in auditors would be made for the current year because of the difficulty and expense of making any change so long after the beginning of the current year, but that vote would be considered in connection with the auditors' appointment for fiscal year 2010.

Prior to November 26, 2007, KPMG LLP served as First Financial's independent accounting firm. The decision to change accountants was approved by our Audit Committee and Board of Directors on November 20, 2007. In connection with the audits for the 2007 and 2006 fiscal years and the subsequent interim period through November 29, 2007, (1) there were no disagreements with KPMG LLP on any matter of accounting principle or practice, financial statement disclosure, auditing scope or procedure, whereby such disagreements, if not resolved to the satisfaction of KPMG LLP, would have caused them to make reference thereto in their report on the financial statements for such years; and (2) there have been no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K).

We requested that KPMG LLP furnish us with a letter addressed to the SEC, stating whether they agree with the foregoing statements, and if not, stating the respects in which they do not agree. The required letter from KPMG LLP with respect to the above statements made by us was filed as an exhibit to the Current Report on Form 8-K we filed on November 29, 2007.

The reports of KPMG LLP on our financial statements for fiscal years ended September 30, 2007 and 2006 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

First Financial had not consulted with Grant Thornton LLP during 2007 or 2006 or the period from September 30, 2007 through November 29, 2007, on either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion Grant Thornton LLP might issue on First Financial's financial statements.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS THE INDEPENDENT ACCOUNTING FIRM.**

**Independent Registered Public Accounting Firm**

**Auditing and Related Fees.** The following table presents fees paid for professional audit services rendered by Grant Thornton LLP and KPMG LLP for the audits of our annual financial statements for fiscal 2008 and 2007 respectively, and fees billed for other services rendered by Grant Thornton LLP or KPMG LLP.

	2008 <sup>2</sup>	2007
Audit Fees <sup>1</sup>	\$ 151,174	\$ 510,175
Audit related fees	-0-	-0-
Audit and audit related fees	151,174	510,175
Tax Fees	-0- <sup>3</sup>	81,040
Total fees	<u>\$ 151,174</u>	<u>\$ 591,215</u>
<sup>1</sup> Audit fees including expenses consist of the following:		
	2008	2007
Audit of the consolidated financial statements quarterly reviews and internal control over financial reporting	\$ 151,174	\$ 472,500
Review of registration statements	-0-	8,925
Procedures related to legal opinion	-0-	-0-
Audit of First Southeast Investor Services, Inc.	-0-	28,750
Audit fees	<u>\$ 151,174</u>	<u>\$ 510,175</u>
<sup>2</sup> An additional \$175,140 was paid in fiscal 2008 to KPMG LLP for final work done on the fiscal 2007 audits.		
<sup>3</sup> In fiscal 2008, tax services were provided by Porter Keadle Moore, LLP and not our principal accountant.		

It is the policy of the Audit Committee to pre-approve all auditing services and non-auditing services provided to First Financial by its current and previous independent registered public accounting firms, Grant Thornton LLP and KPMG LLP, including fees and terms. Pre-approval is typically granted by the full Audit Committee. In considering non-audit services, the Audit Committee will consider various factors, including but not limited to, whether it would be beneficial to have the service provided by the independent registered public accounting firm and whether the service could compromise the independence of the independent registered public accounting firm. The Audit Committee pre-approved all of the engagements for the audit of First Financial, audit related engagements, tax engagements and other permitted non-audit services of Grant Thornton LLP and KPMG LLP paid during fiscal 2008 and fiscal 2007, respectively.

### **CORPORATE GOVERNANCE/NOMINATING COMMITTEE MATTERS**

The Corporate Governance/Nominating Committee of First Financial is composed of four directors and operates under a written charter adopted by the Board on September 25, 2003. The committee's responsibilities are to:

- nominate persons for election or appointment to the Board;
- assess Board and committee membership needs; and
- implement policies and processes regarding corporate governance matters.

**Report of the Corporate Governance/Nominating Committee.** The committee is responsible for identifying individuals qualified to become Board members and to recommend to the Board the individuals for nomination as members of the Board. The committee and the Board expect to create a Board that will demonstrate objectivity and the highest degree of integrity on an individual and collective basis. The committee considers the needs of the Board and First Financial in light of the current mix of director skills

and attributes. The committee's evaluation of director candidates includes an assessment of issues and factors regarding an individual's education, business experience, accounting and financial expertise, age, diversity, reputation, civic and community relationships. The committee also takes into consideration the Board's retirement policy, the ability of directors to devote adequate time to Board and committee matters, and the Board's belief that a substantial majority of the Board should consist of independent directors. When considering current Board members for nomination for reelection, the committee also considers prior Board contributions and performance, as well as meeting attendance records.

The committee seeks the input of the other members of the Board in identifying and attracting director candidates who are consistent with the criteria outlined above. In addition, the committee may use the service of consultants or a search firm, although it has not done so in the past. The committee will consider recommendations by First Financial's shareholders of qualified director candidates for possible nomination by the Board. Shareholders may recommend qualified director candidates by writing to Dorothy B. Wright, Corporate Secretary, First Financial Holdings, Inc., 2440 Mall Drive, Charleston, South Carolina 29406. Submissions should include information regarding a candidate's background, qualifications, experience and willingness to serve as a director. Based on preliminary assessment of a candidate's qualifications, the Corporate Governance/Nominating Committee may conduct interviews with the candidate and request additional information from the candidate. The committee uses the same process for evaluating all nominees, including those recommended by shareholders. The committee did not receive any shareholder nominations this year.

Submitted by the Corporate Governance/Nominating Committee of the First Financial Board of Directors:

Paula Harper Bethea, Chairman  
Thomas J. Johnson  
James C. Murray  
Henry M. Swink

**Board Evaluations.** The Board of Directors conducted committee evaluations during this fiscal year. The evaluations covered accountability, structure, culture, processes, follow-through, training, activity, future roles, duties, people and composition. The Board and Committees continue to review and work for improvement where there are opportunities. The Board of Directors periodically conducts self-evaluations and individual peer evaluations.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires certain of our officers and directors, and persons who beneficially own more than ten percent of any registered class of First Financial's equity securities, to file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater than ten percent shareholders are required by regulation to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of the reports and written representations we have received, we believe that during the fiscal year ended September 30, 2008, all filing requirements applicable to its reporting officers, directors and greater than ten percent beneficial owners were properly and timely complied with except for the following: On May 22, 2008, Director Paula Harper Bethea filed late a Form 4 reporting the sale of 391 shares on September 11, 2003; on April 8, 2008, Senior Vice President R. Bruce Copeland filed late a Form 4 reporting the sale of 3,113 shares held in his Sharing Thrift Plan on March 7, 2008; Director Michael A. Hilton filed two late Form 4's, one on February 1, 2008 reporting the sale of 182 shares on January 23, 2008 and another on November 24, 2008 reporting the sale of 206 shares on September 8, 2008; on January 3, 2008, Senior Vice President Robert F. Snyder, Jr. filed late a Form 4 reporting the purchase of 1,000 shares on December 28, 2007; and on July 21, 2008, Senior Vice President Richard H.

Stoughton filed a late Form 4 reporting the sale of 41 shares on June 18, 2008 and 260 shares on June 19, 2008.

### SHAREHOLDER PROPOSALS

Article II, Section 15 of First Financial's Bylaws provides that any new business to be taken up at the annual meeting shall be stated in writing and filed with the Secretary of First Financial in accordance with the provisions of the Certificate of Incorporation. Article XI of the Certificate of Incorporation provides that notice of a shareholder's intent to make a nomination or present new business at the meeting must be given not less than 30 days nor more than 60 days prior to the date of the meeting; provided, however, that if less than 31 days notice of the meeting is given to shareholders by First Financial, such notice shall be delivered or mailed to the Secretary of First Financial not later than the close of the tenth day following the day on which notice of the meeting was provided to shareholders. If properly made, such nominations or new business shall be considered by shareholders at the meeting.

In order to be eligible for inclusion in First Financial's proxy materials for next year's annual meeting of shareholders, any shareholder proposal to take action at such meeting must be received by Dorothy B. Wright, Corporate Secretary, First Financial Holdings, Inc., 2440 Mall Drive, Charleston, South Carolina 29406, no later than August 17, 2009. Any such proposals shall be subject to the requirements of the proxy rules adopted under the Securities Exchange Act of 1934.

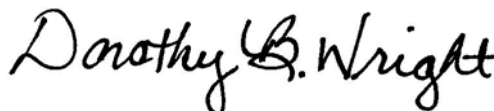
### OTHER MATTERS

The Board is not aware of any business to come before the meeting other than the matters described above in this Proxy Statement. However, if any other matters should properly come before the meeting, it is intended that proxies in the accompanying form will be voted in respect thereof in accordance with the judgment of the person or persons voting the proxies. We will bear the cost of solicitation of proxies. In addition to solicitations by mail, directors, officers and regular employees of First Financial may solicit proxies personally or by telephone without additional compensation.

### ANNUAL REPORT ON FORM 10-K TO SHAREHOLDERS

A copy of the Annual Report on Form 10-K for the fiscal year ended September 30, 2008 is available to each address of record as of the close of business on the voting record date together with these proxy materials. **THE ANNUAL REPORT ON FORM 10-K IS NOT A PART OF FIRST FINANCIAL'S PROXY SOLICITING MATERIAL.**

BY ORDER OF THE BOARD OF DIRECTORS



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Dorothy B. Wright  
Corporate Secretary

Charleston, South Carolina  
December 12, 2008