

FIRST FINANCIAL FUND INC
Form N-30D
May 31, 2001

First
Financial
Fund

ANNUAL
REPORT
March 31, 2001

Letter To Shareholders

May 7, 2001

Dear Fellow Shareholder:

Uncertainties abound. A new President, new tax cuts, unprecedented Fed cuts, an unprecedented drop in Nasdaq stocks, a new "bear" market, last week a new "bull" market -- it seems the more investors dwell on these complex, convoluted (we say, inscrutable) issues, the more opportunities seem to arise in individual stocks. That is one reason we did well last quarter. Another was lower interest rates and our focus on the beneficiaries. Still another was investors espousing value over growth and strong balance sheets over cash poor ones. The proverbial bird in hand over the two in the bush is making a comeback.

TOTAL RETURN
For The Periods Ended 3/31/01

	6 Mos.	1 Year	3 Years	5 Years
First Financial Fund's NAV	21.8%	49.4%	-2.9%	13.8%
S&P 500	-18.8	-21.7	3.0	14.2
NASDAQ Composite*	-49.9	-59.8	0.1	10.8
NASDAQ Banks*	5.9	23.0	-5.3	12.3
SNL All Daily Thrift*	23.2	62.2	0.6	18.3
SNL MBS REITS	7.2	25.1	-15.7	3.1
SNL Mortgage Banks*	50.6	79.6	-14.1	-3.0

1Source: Prudential Investments Fund Management LLC. The Fund's total return represents the change in net asset value from the beginning of the period noted through March 31, 2001 and assumes the reinvestment of dividends and distributions. Past performance is no guarantee of future results. Returns based on market price performance of the Fund's shares would be different.

* Principal only.

Note: Returns for periods greater than one year are annualized.

Looking at the economy through the eyes of the financial sector, we see little evidence of a "second half snapback." Quite the contrary. The growth of problem credits has not slowed overall and in some categories has accelerated. Distress in the large, levered corporate arena has begun to seep into the middle market. On the consumer side, the credit card repayment rate has recently begun to subside -- a pretty reliable indicator of an acceleration of future charge-offs. Less equity cushion on home collateralized lending leaves these loans and home prices vulnerable to a protracted period of layoffs.

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Brokerage and investment banking depend heavily on the velocity of money. So, while the institutional investor is still trading and merger activity is strong, IPO's are few and far between and the retail investor has gone dormant. Overall, the first quarter earnings of most portfolio holdings came in as projected (in stark contrast to the results in technology and telecommunications) but earnings quality declined.

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On the positive side of the ledger, we are seeing mergers between financials that, in general, promise greater odds of success for the surviving entity. The days of huge premium deals based on fantasy cost savings and difficult revenue synergies have come and gone. We trust the same fate awaits pooling accounting this summer. Also positive for the incumbent financials is the end of zero-cost financing for internet only distributors. The delivery of financial services over the internet will continue to accelerate. But winning over and securing the trust of the notoriously intransigent financial services customer has been too costly for almost all internet only models to survive

We agree with the latest remarks of the master, Warren Buffet, that "the long-term prospects for equities in general is far from exciting." This may be the best single advertisement for a sound, disciplined approach to investing over the next several years.

Sincerely,

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

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Portfolio of Investments as of March 31, 2001 FIRST FINANCIAL FUND, INC.

Shares	Description	Value (Note 1)

LONG-TERM INVESTMENTS--78.5%		
COMMON STOCKS--78.3%		

Banks & Thrifts 48.7%		
12,800	Abington Bancorp, Inc.	\$ 168,800
34,600	Algiers Bancorp, Inc.	311,400
145,300	American Financial Holdings, Inc.*	3,105,787
110,600	Astoria Financial Corp.	5,910,187
129,700	Bostonfed Bancorp, Inc.	3,009,040
89,640	Broadway Financial Corp.	806,760
225,500	Capital Crossing Bank*	4,425,437
86,600	CBES Bancorp, Inc.	1,044,613
142,538	CCF Holding Co.	1,710,456
101,900	Commerce Bancorp, Inc.	6,114,000
118,000	Commercial Bank New York	3,761,250
60,000	Community Bank San Jose California(a)	1,591,200

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155,500	Community Financial Corp.	2,196,438
408,700	Connecticut Bancshares Inc.*	8,531,612
195,000	Dime Bancorp, Inc.	45,703
2,000	Downey Financial Corp.	90,600
53,500	East West Bancorp, Inc.	1,029,875
25,000	Eldorado Bancshares, Inc.	300,000
202,900	Fidelity Federal Bancorp.	355,075
24,000	First Financial Corp.	330,000
227,750	First Republic Bank	5,010,500
313,500	FirstFed America Bancorp, Inc.	4,705,635
252,000	FirstFed Bancorp, Inc.	1,890,000
345,100	FirstFed Financial Corp.	9,662,800
199,000	Hawthorne Financial Corp.*	3,383,000
19,999	HFB Financial Corp.	227,489
19,500	Iberiabank Corp.	465,563
110,000	J.P. Morgan Chase & Co.	4,939,000
41,600	Lincoln Bancorp Indiana	553,800
25,000	M & T Bank Corp.	1,747,500
358,400	Metris Companies, Inc.	7,447,552
219,600	MetroCorp Bancshares, Inc.	2,401,875
224,000	North Valley Bancorp.	3,010,000
210,000	Northeast Pennsylvania Financial Corp.	2,541,000
87,000	Old Kent Financial Corp.	3,306,000
134,100	Oregon Trail Financial Corp.	1,894,163
471,800	Pacific Century Financial Corp.*	8,964,200
102,900	Pacific Crest Capital, Inc.	1,826,475
34,600	Peoples Financial Corp.	207,600
165,930	Perpetual Federal Savings Bank	2,405,985
508,300	Port Financial Corp.	\$ 9,276,475
94,900	PrivateBankcorp, Inc.*	1,512,469
317,300	Provident Financial Holdings, Inc.*	6,762,456
40,650	Redwood Financial, Inc.*	315,037
45,000	River Valley Bancorp.	753,750
47,800	Rowan Bancorp, Inc.*	705,050
140,000	Southwest Bancorp, Inc.	3,220,000
32,500	St. Landry Financial Corp.*	227,500
21,100	Team Financial, Inc.	154,294
238,200	Thistle Group Holdings Co.*	2,337,337
7,276	Tri-County Bancorp, Inc.	90,950
199,600	Troy Financial Corp.*	3,068,850
118,000	UCBH Holdings, Inc.	5,745,125
184,900	Unionbancal Corp.	5,371,345
158,900	Woronoco Bancorp, Inc.*	2,462,933

153,431,941

----- Other Financial Intermediaries--25.6%

210,000	American Physicians Capital, Inc.	3,832,500
271,100	Anthracite Capital, Inc.	2,616,115
574,200	Banner Central Finance Co.	407,682
7,700	Digital Insight Corp.	88,550
227,875	First Mortgage Corp.*	655,141
155,504	Fortress Investment Corp.(a)	2,021,552
286,702	Hanmi Financial Corp.*	4,891,854
272,590	Healthcare Financial Partners, Inc.(a)	4,184,256
574,200	Hispanic Express, Inc.	407,682
35,000	Istar Financial, Inc.	807,450
74,200	Landamerica Financial Group, Inc.	2,640,036
808,800	LNR Property Corp.	22,929,480

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1,074,000	Ocwen Financial Corp.*	9,118,260
310,600	Pacific Union Bank*	3,591,312
223,000	Rait Investment Trust	3,075,170
959,315	Resource America, Inc.	10,192,722
323,000	Silicon Valley Bancshares	7,590,500
73,900	Vista Bancorp, Inc.	1,653,512

		80,703,774

See Notes to Financial Statements. 3

Portfolio of Investments as of March 31, 2001 FIRST FINANCIAL FUND, INC.

Shares	Description	Value (Note 1)

Savings & Loan--4.0%		
238,500	Citizens First Bancorp, Inc.	\$ 3,175,031
170,000	First Federal Bancshares, Inc.	2,433,125
184,400	Floridafirst Bancorp, Inc.	2,766,000
83,300	Ledger Capital Corp.	916,300
80,000	Quaker City Bancorp, Inc.	1,910,000
55,900	Richmond County Financial Corp.	1,642,063

		12,842,519

Total common stocks		
(cost \$206,107,442)		246,978,234

Warrants*		
109,036	Healthcare Financial Partners, Inc. expiring December '01(a)	0
1	Golden State Bancorp, Inc. expiring January '01	1

Total warrants		
(cost \$0)		1

Principal Amount (000)		

Convertible Bonds--0.2%		
\$1,000	Online Resources & Communications Zero Coupon, 9/30/05	600,000

Total long-term investments		
(cost \$207,107,442)		247,578,235

SHORT-TERM INVESTMENTS--18.0%		
Repurchase Agreement--18.0%		
\$56,701	Paribas Corp., 5.27%, dated 3/30/01, due 4/2/01 in the amount of \$56,725,901 (cost \$56,701,000; collateralized by \$51,507,000 U.S.	

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Treasury Notes 6.875%, due
5/15/06, value of collateral
including interest \$58,002,420) \$ 56,701,000

Certificates of Deposit

2	Brookline Savings, 6.00%, 5/27/01	1,507
22	First Federal Savings Bank, 4.00%, 4/14/01	22,034
22	Naugatuck Valley Savings & Loan Assoc., 3.00%, 4/25/01	21,524

Total certificates of deposit (cost \$45,065)	45,065
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Total short-term investments (cost \$56,746,065)	56,746,065
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Total Investments--96.5%

(cost \$263,853,507; Note 3)	304,324,300
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Other assets in excess of liabilities--3.5%	11,068,038
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Net Assets--100%	\$315,392,338
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* Non-income-producing security.

(a) Indicates a fair valued security.

See Notes to Financial Statements. 4

Statement of Assets and Liabilities

FIRST FINANCIAL FUND, INC.

Assets

Investments, at value (cost \$207,152,507)	
Repurchase agreement, at value (cost \$56,701,000)	
Cash	
Receivable for investments sold	
Dividends and interest receivable	
Other assets	

Total assets	
--------------	--

Liabilities

Payable for investments purchased	
Advisory fee payable	
Accrued expenses	
Administration fee payable	
Deferred directors' fees	

Total liabilities	
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Net Assets	
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Net assets were comprised of:

Common stock, at par; 25,064,981 shares issued.....
 Paid-in capital in excess of par.....
 Cost of 540,294 shares held in treasury.....

Undistributed net investment income.....
 Accumulated net realized losses.....
 Net unrealized appreciation on investments.....

Net assets, March 31, 2001.....

Net asset value per share (\$315,392,338 / 24,524,687 shares of common stock outstanding).....

 See Notes to Financial Statements. 5

FIRST FINANCIAL FUND, INC.

Statement of Operations

	Year Ended March 31, 2001
Net Investment Income	
Income	
Dividends.....	\$ 5,926,442
Interest.....	2,977,539

Total income.....	8,903,981

Expenses	
Investment advisory fee.....	1,664,134
Administration fee.....	384,392
Legal fees and expenses.....	324,000
Reports to shareholders.....	205,000
Custodian's fees and expenses.....	75,000
Transfer agent's fees and expenses.....	52,000
Listing fees.....	43,000
Directors fees.....	28,000
Audit fee.....	22,000
Miscellaneous.....	22,719

Total operating expenses.....	2,820,245
Loan interest (Note 4).....	2,649,461

Total expenses.....	5,469,706

Net investment income.....	3,434,275

Realized and Unrealized Gain on Investments	
Net realized gain on investment transactions.....	15,308,555
Net change in unrealized depreciation of investments.....	85,599,520

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Net gain on investments.....	100,908,075

Net Increase in Net Assets	
Resulting from Operations.....	\$104,342,350

FIRST FINANCIAL FUND, INC. Statement of Cash Flows

	Year Ended March 31, 2001
Increase (Decrease) in Cash	
Cash flows provided from operating activities	
Dividends and interest received.....	\$ 8,839,836
Operating expenses paid.....	(2,300,193)
Loan interest paid.....	(2,412,022)
Purchases of short-term portfolio	
investments.....	(36,966,659)
Purchases of long-term portfolio	
investments.....	(212,003,594)
Proceeds from disposition of long-term	
portfolio investments.....	293,516,291
Other assets.....	(61,675)

Net cash provided from operating	
activities.....	48,611,984

Cash used for financing activities	
Cash dividends paid.....	(2,462,878)
Cash used to reacquire Fund shares.....	(1,148,855)
Repayment of loan.....	(45,000,000)

Net cash used for financing activities.....	(48,611,733)

Net increase in cash.....	251
Cash at beginning of year.....	128

Cash at end of year.....	\$ 379

Reconciliation of Net Increase in Net Assets	
to Net Cash Provided from Operating Activities	
Net increase in net assets resulting from	
operations.....	\$ 104,342,350

Decrease in investments.....	55,005,704
Net realized gain on investment	
transactions.....	(15,308,555)
Net increase in unrealized appreciation	
(depreciation) of investments.....	(85,599,520)
Increase in receivable for investments sold...	(11,341,643)
Increase in dividends and interest	
receivable.....	(64,145)
Increase in other assets.....	(61,675)
Increase in payable for investments	
purchased.....	881,977
Increase in accrued expenses and other	
liabilities.....	757,491

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Total adjustments.....	(55,730,366)
Net cash provided from operating activities...	\$ 48,611,984

See Notes to Financial Statements. 6

FIRST FINANCIAL FUND, INC. Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Year Ended March 31,	
	2001	2000
Operations		
Net investment income.....	\$ 3,434,275	\$ 3,059,502
Net realized gain (loss) on investment transactions.....	15,308,555	(7,515,804)
Net change in unrealized appreciation of investments.....	85,599,520	2,825,134
Net increase (decrease) in net assets resulting from operations.....	104,342,350	(1,631,168)
Dividends and distributions (Note 1)		
Dividends from net investment income.....	(2,462,878)	(1,970,302)
Cost of Fund shares reacquired.....	(1,148,855)	(3,617,561)
Total increase (decrease).....	100,730,617	(7,219,031)
Net Assets		
Beginning of year.....	214,661,721	221,880,752
End of year(a).....	\$315,392,338	\$ 214,661,721
(a) Includes undistributed net investment income of.....	\$ 2,060,597	\$ 1,089,200

FIRST FINANCIAL FUND, INC. Notes to Financial Statements

First Financial Fund, Inc. (the 'Fund') was incorporated in Maryland on March 3, 1986, as a closed-end, diversified investment company. The Fund's primary investment objective is to achieve long-term capital appreciation with the secondary objective of current income by investing in securities issued by savings and banking institutions, mortgage banking institutions and their holding companies. The ability of issuers of debt securities held by the Fund to

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meet their obligations may be affected by economic developments in a specific industry or region.

Note 1. Accounting Policies

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Securities Valuation: Securities for which market quotations are readily available--including securities listed on national securities exchanges and those traded over-the-counter--are valued at the last quoted sales price on the valuation date on which the security is traded. If such securities were not traded on the valuation date, but market quotations are readily available, they are valued at the most recently quoted bid price provided by an independent pricing service or by principal market makers. Securities for which market quotations are not readily available will be valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund. Short-term securities which mature in more than 60 days are valued at current market quotations. Short-term securities which mature in 60 days or less are valued at amortized cost.

Repurchase Agreement: All securities are valued as of 4:15 p.m., New York time. In connection with repurchase agreement transactions with financial institutions, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceed one business day, the value of the collateral is marked-to-market on a daily basis to ensure the adequacy of collateral. If the seller defaults, and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

Cash Flow Information: The Fund invests in securities and pays dividends from net investment income and distributions from net realized gains which are paid in cash or are reinvested at the discretion of shareholders.

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Notes to Financial Statements

FIRST FINANCIAL FUND, INC.

These activities are reported in the Statement of Changes in Net Assets and additional information on cash receipts and cash payments is presented in the Statement of Cash Flows. Accounting practices that do not affect reporting activities on a cash basis include carrying investments at value and amortizing discounts on debt obligations.

Securities Transactions and Net Investment Income: Securities transactions are recorded on the trade date. Realized gains or losses on sales of securities are calculated on the identified cost basis. Dividend income is recorded on the ex-dividend date; interest income is recorded on the accrual basis. Expenses are recorded on the accrual basis, which may require the use of certain estimates by management.

Federal Income Taxes: It is the Fund's intention to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to shareholders. Therefore, no federal income tax provision is required.

Dividends and Distributions: The Fund expects to declare and pay dividends from net investment income and any net capital gains if any, annually. Dividends and distributions are recorded on the ex-dividend date.

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Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These differences are primarily due to differing treatments for wash sales.

Note 2. Agreements

The Fund has agreements with Wellington Management Company, LLP (the 'Investment Adviser') and with Prudential Investments Fund Management LLC (the 'Administrator'). The Investment Adviser makes investment decisions on behalf of the Fund; the Administrator provides occupancy and certain clerical and accounting services to the Fund. The Fund bears all other costs and expenses. The investment advisory agreement provides for the Investment Adviser to receive a fee, computed monthly and payable quarterly, at the following annual rates: .75% of the Fund's average month-end net assets up to and including \$50 million, and .625% of such assets in excess of \$50 million. The administration agreement provides for the Administrator to receive a fee, computed monthly and payable quarterly, at the annual rate of .15% of the Fund's average month-end net assets.

Note 3. Portfolio Securities

Purchases and sales of investment securities, other than short-term investments, for the year ended March 31, 2001 were \$212,885,571 and \$304,857,932, respectively.

The cost basis of the Fund's investments for federal income tax purposes, including short-term investments, at March 31, 2001 was \$265,143,840; and, accordingly, net unrealized appreciation for federal income tax purposes was \$39,180,460 (gross unrealized appreciation--\$53,456,987; gross unrealized depreciation--\$14,276,527).

For federal income tax purposes, the Fund utilized capital loss carryforward as of March 31, 2001 of approximately \$6,483,800. Accordingly, no capital gains distributions are expected to be paid to shareholders until net gains have been realized in excess of such carryforward. The Fund will elect to treat net capital losses of approximately \$6,703,000 incurred in the five month period ended March 31, 2000 as having occurred in the current fiscal year.

Note 4. Borrowings

The Fund has a credit agreement (the 'Agreement') with an unaffiliated lender. The maximum commitment under the Agreement is \$45,000,000. These borrowings may be set to any desired maturity at a rate of interest determined by the lender at the time of borrowing. The credit agreement expires on April 30, 2001. However, the credit agreement was renewed prior to its expiration date under the same terms. The expiration date of the renewed credit agreement is April 29, 2002. While outstanding, the borrowings will bear interest, payable monthly. During the period while the loan was outstanding, the average daily balance outstanding for the year ended March 31, 2001 was \$45,000,000 at a weighted average interest rate of 6.89%. The highest face amount of borrowing outstanding at any month-end during the year ended March 31, 2001 was \$45,000,000. The Fund did not have a loan balance at March 31, 2001.

Note 5. Capital

There are 50 million shares of \$.001 par value common stock authorized. Of the 25,064,981 shares issued as of March 31, 2001, the Investment Adviser owned 10,994 shares. During the year ended March 31, 2001, the Fund repurchased 104,094 of its own shares at a weighted average discount of 15.2%. During the fiscal year ended March 31, 2000, the Fund issued 436,200 shares in connection with a cash distribution paid in stock.

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Financial Highlights

FIRST FINANCIAL FUND, INC.

	Year Ended M		
	2001	2000	1999
PER SHARE OPERATING PERFORMANCE:			
Net asset value, beginning of year.....	\$ 8.72	\$ 8.85	\$ 18.
Income from investment operations			
Net investment income.....	.14	.12	.
Net realized and unrealized gain (loss) on investments.....	4.09	(.20)	(7.
Total from investment operations.....	4.23	(.08)	(7.
Less dividends and distributions			
Dividends from net investment income.....	(.10)	(.08)	(.
Distributions from net realized gains.....	--	--	(2.
Distributions in excess of net realized gains.....	--	--	(.
Total dividends and distributions.....	(.10)	(.08)	(3.
Increase resulting from Fund share repurchase.....	.01	.03	.
Net change resulting from the issuance of Fund shares.....	--	--	.
Net asset value, end of year(a).....	\$ 12.86	\$ 8.72	\$ 8.
Market price per share, end of year(a).....	\$ 11.29	\$ 7.8125	\$ 7.31
TOTAL INVESTMENT RETURN(b):.....	49.40%	7.93%	(53.
RATIOS/SUPPLEMENTAL DATA:			
Net assets, end of year (000).....	\$315,392	\$214,662	\$221,8
Average net assets (000).....	\$258,156	\$230,163	\$296,7
Ratios to average net assets:			
Expenses, before loan interest, commitment fees and nonrecurring expenses.....	1.09%	1.06%	.
Total expenses.....	2.12%	2.20%	1.
Net investment income.....	1.33%	1.33%	.
Portfolio turnover rate.....	85%	63%	
Total debt outstanding at end of year (000 omitted).....	\$ --	\$ 45,000	\$ 45,0
Asset coverage per \$1,000 of debt outstanding.....	\$ --	\$ 5,768	\$ 5,9

(a) NAV and market value are published in The Wall Street Journal each Monday.

(b) Total investment return is calculated assuming a purchase of common stock at the current market value on the first day and a sale at the current market value on the last day of each year reported. Dividends and distributions are assumed for purposes of this calculation to be reinvested at prices obtained under the dividend reinvestment plan. This calculation does not reflect brokerage commissions.

Contained above is selected data for a share of common stock outstanding, total investment return, ratios to average net assets and other supplemental data for the year indicated. This information has been determined based upon information provided in the financial statements and market price data for the Fund's

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shares.

See Notes to Financial Statements. 9

Report of Independent Accountants

FIRST FINANCIAL FUND, INC.

To the Board of Directors and Shareholders of
First Financial Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations, of cash flows and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of First Financial Fund, Inc. (the 'Fund') at March 31, 2001, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as 'financial statements') are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at March 31, 2001 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
1177 Avenue of the Americas
New York, New York 10036
May 22, 2001

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Tax Information (Unaudited)

FIRST FINANCIAL FUND, INC.

We are required by the Internal Revenue Code to advise you within 60 days of the Fund's fiscal year end (March 31, 2001) as to the federal tax status of dividends and distributions paid by the Fund during such fiscal year.

Accordingly, we are advising you that during the fiscal year ended March 31, 2001, the Fund paid dividends of \$.10 per share, which are taxable as ordinary income. Further, we wish to advise you that 100% of the dividends taxable as ordinary income and paid in the fiscal year ended March 31, 2001 qualified for the corporate dividend received deduction available to corporate taxpayers. In January 2002, shareholders will receive a Form 1099-DIV or substitute Form 1099-DIV which reflects the amount of dividends to be used by calendar year taxpayers on their 2001 federal income tax returns. Shareholders are advised to consult their own tax advisers with respect to the tax consequences of their investment in the Fund.

Other Information

FIRST FINANCIAL FUND, INC.

Dividend Reinvestment Plan. Shareholders may elect to have all distributions of dividends and capital gains automatically reinvested in Fund shares (Shares)

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pursuant to the Fund's Dividend Reinvestment Plan (the Plan.) Shareholders who do not participate in the Plan will normally receive all distributions in cash paid by check in United States dollars mailed directly to the shareholders of record (or if the shares are held in streetname or other nominee name, then to the nominee) by the custodian, as dividend disbursing agent, unless the Fund declares a distribution payable in shares, absent a shareholder's specific election to receive cash. Shareholders who wish to participate in the Plan should contact the Fund at (800) 451-6788.

State Street Bank and Trust Co. (the Plan Agent) serves as agent for the shareholders in administering the Plan. After the Fund declares a dividend or a capital gains distribution, if (1) the market price is lower than net asset value, the participants in the Plan will receive the equivalent in Shares valued at the market price determined as of the time of purchase (generally, following the payment date of the dividend or distribution); or if (2) the market price of Shares on the payment date of the dividend or distribution is equal to or exceeds their net asset value, participants will be issued Shares at the higher of net asset value or 95% of the market price. If the Fund declares a dividend or other distribution payable only in cash and the net asset value exceeds the market price of Shares on the valuation date, the Plan Agent will, as agent for the participants, receive the cash payment and use it to buy Shares in the open market. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value per share, the Plan Agent will halt open-market purchases of the Fund's shares for this purpose, and will request that the Fund pay the remainder, if any, in the form of newly-issued shares. The Fund will not issue Shares under the Plan below net asset value.

There is no charge to participants for reinvesting dividends or capital gain distributions, except for certain brokerage commissions, as described below. The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the Fund. There will be no brokerage commissions charged with respect to shares issued directly by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions. The automatic reinvestment of dividends and distributions will not relieve participants of any federal income tax that may be payable on such dividends or distributions.

The Fund reserves the right to amend or terminate the Plan upon 90 days' written notice to shareholders of the Fund.

Participants in the Plan may withdraw from the Plan upon written notice to the Plan Agent or by telephone in accordance with specific procedures and will receive certificates for whole Shares and cash for fractional Shares. All correspondence concerning the Plan should be directed to the Plan Agent, State Street Bank & Trust Company, P.O. Box 8200, Boston, MA 02266-8200.

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Directors
Eugene C. Dorsey
Robert E. LaBlanc
Douglas H. McCorkindale
Thomas T. Mooney
Clay T. Whitehead

Investment Adviser
Wellington Management Company, LLP
75 State Street
Boston, MA 02109

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Administrator
Prudential Investments Fund Management LLC
Gateway Center Three
100 Mulberry Street
Newark, NJ 07102-4077

Custodian and Transfer Agent
State Street Bank and Trust Company
One Heritage Drive
North Quincy, MA 02171

Independent Accountants
PricewaterhouseCoopers LLP
1177 Avenue of the Americas
New York, NY 10036

Legal Counsel
Kirkpatrick & Lockhart LLP
1800 Massachusetts Avenue, N.W.
Washington, D.C. 20036

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase, from time to time, shares of its common stock at market prices.

The views expressed in this report and the information about the Fund's portfolio holdings are for the period covered by this report and are subject to change thereafter.

This report is for stockholder information. This is not a prospectus intended for use in the purchase or sale of Fund shares.

First Financial Fund, Inc.
Gateway Center Three
100 Mulberry Street
Newark, NJ 07102-4077

For information call toll-free (800) 451-6788

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