

First Financial Northwest, Inc.
Form DEF 14A
April 15, 2008

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the registrant
Filed by a party other than the registrant

Check the appropriate box:

- Preliminary proxy statement
- Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))
- Definitive proxy statement
- Definitive additional materials
- Soliciting material pursuant to § 240.14a-12

FIRST FINANCIAL NORTHWEST, INC.
(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of filing fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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 - (2) Aggregate number of securities to which transactions applies:
N/A
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:
N/A
 - (4) Proposed maximum aggregate value of transaction:
N/A
 - (5) Total fee paid:
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(1) Amount previously paid:

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(2) Form, schedule or registration statement no.:

N/A

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N/A

(4) Date filed:

N/A

April 15, 2008

Dear Shareholder:

You are cordially invited to attend the first annual meeting of shareholders of First Financial Northwest, Inc. to be held at the Carco Theatre, located at 1717 Maple Valley Highway, Renton, Washington, on Friday, May 23, 2008 at 9:00 a.m., local time.

The notice of annual meeting of shareholders and proxy statement appearing on the following pages describe the formal business to be transacted at the meeting. During the meeting, we will also report on our operations. Directors and officers of First Financial Northwest, Inc., as well as a representative of KPMG LLP, our independent auditor, will be present to respond to appropriate questions of shareholders.

It is important that your shares are represented at the meeting, whether or not you attend in person and regardless of the number of shares you own. To make sure your shares are represented, we urge you to complete and mail the enclosed proxy card. If you attend the meeting, you may vote in person even if you have previously mailed a proxy card.

We look forward to seeing you at the meeting.

Sincerely,

/s/Victor Karpiak

Victor Karpiak
Chairman, President and Chief Executive Officer

FIRST FINANCIAL NORTHWEST, INC.
201 WELLS AVENUE SOUTH
RENTON, WASHINGTON 98057
(425) 255-4400

NOTICE OF FIRST ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 23, 2008

Notice is hereby given that the first annual meeting of shareholders of First Financial Northwest, Inc. will be held at the Carco Theatre, located at 1717 Maple Valley Highway, Renton, Washington, on Friday, May 23, 2008, at 9:00 a.m., local time, for the following purposes:

Proposal To elect eight directors of First Financial Northwest, Inc.

1.

Proposal To ratify the appointment of KPMG LLP as our independent auditor for 2008

2.

Proposal To adopt the First Financial Northwest, Inc. 2008 Equity Incentive Plan

3.

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

The Board of Directors has fixed the close of business on March 27, 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 adjournment thereof. To ensure that your shares are represented at the meeting, please take the time to vote by signing, dating and mailing the enclosed proxy card which is solicited by the Board of Directors. The proxy will not be used if you attend and vote at the annual meeting in person. Regardless of the number of shares you own, your vote is very important. Please act today.

BY ORDER OF THE BOARD OF DIRECTORS

/s/Harry A. Blencoe

HARRY A. BLENCOE
SECRETARY

Renton, Washington
April 15, 2008

IMPORTANT: The prompt return of proxies will save us the expense of further requests for proxies in order to ensure a quorum. A pre-addressed envelope is enclosed for your convenience. No postage is required if mailed in the United States.

PROXY STATEMENT
OF
FIRST FINANCIAL NORTHWEST, INC.
201 WELLS AVENUE SOUTH
RENTON, WASHINGTON 98057
(425) 255-4400

FIRST ANNUAL MEETING OF SHAREHOLDERS
MAY 23, 2008

The Board of Directors of First Financial Northwest, Inc. is using this proxy statement to solicit proxies from our shareholders for use at our first annual meeting of shareholders. We are first mailing this proxy statement and the enclosed form of proxy to our shareholders on or about April 15, 2008.

The information provided in this proxy statement relates to First Financial Northwest, Inc. and its wholly-owned subsidiary, First Savings Bank Northwest. First Financial Northwest, Inc. may also be referred to as "First Financial" and First Savings Bank Northwest may also be referred to as "First Savings Bank" or the "Bank." References to "we," "us" and "our" refer to First Financial and, as the context requires, First Savings Bank.

INFORMATION ABOUT THE ANNUAL MEETING

Time and Place of the Annual Meeting

Our annual meeting will be held as follows:

Date: Friday, May 23, 2008

Time: 9:00 a.m., local time

Place: Carco Theatre, 1717 Maple Valley Highway, Renton, Washington

Matters to Be Considered at the Annual Meeting

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

Proposal To elect eight directors of First Financial Northwest, Inc.

1.

Proposal To ratify the appointment of KPMG LLP as our independent auditor for 2008

2.

Proposal To adopt the First Financial Northwest, Inc. 2008 Equity Incentive Plan
3.

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 in this proxy statement.

Who is Entitled to Vote?

We have fixed the close of business on March 27, 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, unless you own more than 10% of First Financial's outstanding shares. As provided in our Articles of Incorporation, record holders of common stock who beneficially own in excess of 10% of First Financial's outstanding shares are not entitled to any vote in respect of the shares held in excess of the 10% limit unless our Board of Directors has granted permission in advance. On March 27, 2008, there were 22,852,800 shares of First Financial common stock outstanding and entitled to vote at the annual meeting.

How Do I Vote at the Annual Meeting?

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 are included on your proxy card. Shares of First Financial common stock represented by properly executed proxies will be voted by the individuals named on the proxy card 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, “FOR” the ratification of the appointment of KPMG LLP as our independent auditor and “FOR” the adoption of the 2008 Equity Incentive Plan. 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 you to deliver your voting instructions via the telephone or the Internet. Please see the instruction form that accompanies 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 auditor described in this proxy statement are considered discretionary items under the rules of The Nasdaq Stock Market LLC (“Nasdaq”). The proposal to adopt the 2008 Equity Incentive Plan is a non-discretionary item.

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 Will My Shares of Common Stock Held in the Employee Stock Ownership Plan Be Voted?

We maintain the First Financial Northwest, Inc. Employee Stock Ownership Plan (“ESOP”) for the benefit of our employees. Each participant may instruct the trustee how to vote the shares of First Financial common stock allocated to his or her account under the ESOP by completing the voting instruction sheet distributed by the administrator. If a participant properly executes the voting instruction sheet, the administrator will instruct the trustee to vote the

participant's shares in accordance with the participant's instructions. Unallocated shares of First Financial common stock held in the ESOP will be voted by trustee in the same proportion as shares for which the trustee has received voting instructions. Allocated shares for which proper voting instructions are not received shall be voted by the trustee in the manner directed by the administrator. The administrator of the ESOP is Crowe Chizek.

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 adjourned meeting is set to be held 120 days or more after the original meeting. 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 eight nominees for election as directors who receive the highest number of votes actually cast will be elected. Pursuant to our Articles 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 will have no effect on the outcome of the election because the 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 Approval Proposal 2: Ratification of the Appointment of the Independent Auditor

Ratification of the appointment of KPMG LLP as our independent auditor for the fiscal year ending December 31, 2008 requires the affirmative vote of a majority of the outstanding shares present in person or by proxy at the annual meeting. Abstentions and broker non-votes on this proposal will have the same effect as a vote against the proposal. Our Board of Directors unanimously recommends that you vote “FOR” the ratification of the appointment of the independent auditor.

Vote Required to Approve Proposal 3: Adoption of the 2008 Equity Incentive Plan

Approval of the First Financial Northwest, Inc. 2008 Equity Incentive Plan requires the affirmative vote of a majority of the outstanding shares present in person or by proxy at the annual meeting. Abstentions and broker non-votes on this proposal will have the same effect as a vote against the proposal. Our Board of Directors unanimously recommends that you vote “FOR” the approval of the 2008 Equity Incentive Plan.

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 Secretary of First Financial in writing before the annual meeting that you have revoked your proxy; 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.

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 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 27, 2008, the voting record date, information regarding share ownership of:

- those persons or entities (or groups of affiliated person or entities) known by management to beneficially own more than five percent of First Financial's common stock other than directors and executive officers;
- each director and director nominee of First Financial;
- each executive officer of First Financial or any of its subsidiaries named in the Summary Compensation Table appearing under "Executive Compensation" below (known as "named executive officers"); and
- all current directors and executive officers of First Financial and its subsidiaries 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 us a copy, reports disclosing their ownership pursuant to the Securities Exchange Act of 1934. To our knowledge, no other person or entity, other than the ones 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, shares held in the ESOP, and other forms of ownership, over which shares the persons named in the table may possess voting and/or investment power.

As of the voting record date, there were 22,852,800 shares of First Financial common stock outstanding.

Name	Number of Shares Beneficially Owned	Percent of Shares Outstanding (%)
Beneficial Owners of More Than 5%		
First Financial Northwest, Inc. Employee Stock Ownership Plan 201 Wells Avenue South Renton, Washington 98057	1,692,800	7.40
Craig A. White 136 Heber Avenue, Suite 204 Park City, Utah 84060	1,362,500(1)	5.96

Tyndall Capital Partners, L.P.
599 Lexington Avenue, Suite 4100
New York, New York 10022

1,152,500(2)

5.04

(Table continues on following page)

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Name	Number of Shares Beneficially Owned	Percent of Shares Outstanding(%)
Directors		
Victor Karpiak (3)	50,000(4)	*
Harry A. Blencoe	50,000(5)	*
Joann E. Lee	30,000(6)	*
Gary F. Kohlwes	50,500(7)	*
Robert L. Anderson	25,000(8)	*
Gerald Edlund	50,000(9)	*
Robert W. McLendon	25,000	*
Gary F. Faull	26,500	*
Named Executive Officers		
John P. Mills	50,000(10)	*
David G. Kroeger	15,670(11)	*
Robert H. Gagnier	6,000	*
Roger Elmore	23,050	*
All Executive Officers and Directors as a Group (12 persons)	401,720	1.76

- * Less than one percent of shares outstanding.
- (1) Based solely on a Schedule 13D dated January 28, 2008, regarding shares owned as of that date.
- (2) Based solely on a Schedule 13G dated January 14, 2008, regarding shares owned as of January 9, 2008. According to this filing, Tyndall Partners, L.P., a Delaware limited partnership, owns 760,640 shares of First Financial's common stock, and Tyndall Institutional Partners, L.P., a Delaware limited partnership, owns 391,860 shares of First Financial's common stock. Tyndall Capital Partners, L.P. is the general partner of Tyndall Partners, L.P. and Tyndall Institutional Partners, L.P. and possesses the sole power to vote and the sole power to direct the disposition of all shares of First Financial common stock held by these entities.
- (3) Mr. Karpiak is also a named executive officer of First Financial.
- (4) Includes 25,000 shares owned solely by his spouse, all of which have been pledged.
- (5) Includes 25,000 shares owned solely by his spouse.
- (6) Includes 15,000 shares owned solely by her spouse.
- (7) Includes 25,000 shares owned solely by his spouse, as well as 600 shares owned as custodian for a minor.
- (8) Held jointly with his spouse.
- (9) Includes 3,100 shares owned solely by his spouse, 16,600 held jointly with his spouse (all of which have been pledged) and 23,000 shares owned by companies controlled by him and his spouse.
- (10) Includes 25,000 shares owned solely by his spouse.
- (11) Includes 7,835 shares owned solely by his spouse.

PROPOSAL 1 – ELECTION OF DIRECTORS

Our Board of Directors consists of eight members. The eight members of the Board are the initial directors of First Financial, each of whose term as initial director expires at the annual meeting in accordance with Washington law. In accordance with our Articles of Incorporation, the Board is divided into three classes with three-year staggered terms, with approximately one-third of the directors elected each year. Eight directors, whose names appear in the following table, have been nominated to stand for election and if elected, will serve for the respective terms set forth in the table, or until their respective successors have been elected and qualified. Each member of our Board of Directors is also a member of the Board of Directors of First Savings Bank.

It is intended that the proxies solicited by the Board of Directors will be voted for the election of the nominees named in the following table. Each nominee has consented to being named in this proxy statement and has agreed to serve if elected. If a nominee is unable to stand for election, the Board of Directors may either reduce the number of

directors to be elected or select a substitute nominee. If a substitute nominee is selected, the proxy holders will vote your shares for the substitute nominee, unless you have withheld authority. At this time, we are not aware of any reason why a nominee might be unable to serve if elected.

The Board of Directors recommends a vote “FOR” the election of all nominees named below.

Name	Age as of December 31, 2007	Year First Elected or Appointed Director (1)	Term to Expire (2)
Board Nominees			
Victor Karpiak	53	1998	2009
Robert W. McLendon	84	1985	2009
Harry A. Blencoe	83	1959	2010
Gary F. Faull	63	1999	2010
Joann E. Lee	52	2005	2010
Gary F. Kohlwes	71	1977	2011
Robert L. Anderson	74	1980	2011
Gerald Edlund	71	1985	2011

(1) Includes prior service on the Board of Directors of First Savings Bank (previously known as the First Savings Bank of Renton).

(2) Assuming election.

Set forth below is the principal occupation of each nominee for director. All nominees have held their present positions for at least five years unless otherwise indicated.

Victor Karpiak is Chairman of the Board, President and Chief Executive Officer of First Financial and First Savings Bank, positions held since the companies were established in 2007 as part of the mutual to stock conversion process. Mr. Karpiak also served as Chief Financial Officer from 2007 until February 2008. Prior to the conversion, he held the same positions with our predecessors, First Financial Holdings, MHC, First Financial of Renton and First Savings Bank of Renton. Before to his appointment as President of First Savings Bank of Renton in 1999, he served as Executive Vice President and Chief Financial Officer. Mr. Karpiak has served as President and Chief Financial Officer of First Financial Holdings, MHC and First Financial of Renton since they were established in 2002. In January 2005, he was appointed Chairman of the Board and Chief Executive Officer of First Financial Holdings, MHC, First Financial of Renton and First Savings Bank of Renton. He has been with First Savings Bank for 30 years. Mr. Karpiak is a past director of the Renton Community Foundation, a past director and Chairman of the Greater Renton Chamber of Commerce, a past director and Resource Development Chairman of Renton River Days, a director and Secretary of the Senior Housing Assistance Group, a member of the Renton Rotary Club, and a member and past President of the Kiwanis Club of Renton.

Robert W. McLendon serves as a Director of First Financial and First Savings Bank, positions held since the companies were established in 2007 as part of the mutual to stock conversion process. Prior to the conversion, he served as a Director of First Financial Holdings, MHC, First Financial of Renton and First Savings Bank of Renton. Mr. McLendon has served as a Director of First Savings Bank of Renton since 1985. Additionally, he served as Secretary of First Financial of Renton from 2002 when it was incorporated until the conversion. Mr. McLendon retired from the hardware business after 50 years of service with one organization, McLendon Hardware, Inc., a seven store chain distributing retail and wholesale hardware products throughout Western Washington. At retirement his

position with the company was that of President and Chairman of the Board. Mr. McLendon is a business graduate of the University of Washington, and is a member of the Veterans of Foreign Wars and The American Legion.

Harry A. Blencoe serves as a Director and Secretary of First Financial and as a Director of First Savings Bank, positions held since the companies were established in 2007 as part of the mutual to stock conversion process. Prior to the conversion, he served as a Director of First Financial Holdings, MHC, First Financial of Renton and First Savings

Bank of Renton. Mr. Blencoe was appointed as a Director of First Savings Bank of Renton in 1959, serving as Chairman and Chief Executive Officer from 1961 until his retirement in December 2004. He also held the position of President from 1961 until 1999. In addition, Mr. Blencoe also served as Chairman of the Board and Chief Executive Officer of First Financial Holdings, MHC and First Financial of Renton since they were established in 2002 until his retirement. He has been associated with First Savings Bank since 1950. Mr. Blencoe is a past director of the Renton Community Foundation, and a past president and current member of the Renton Rotary Club and the Mayor's Business Executives Forum. He also serves as a Trustee of the First Financial Northwest Foundation.

Gary F. Faull serves as a Director of First Financial and First Savings Bank, positions held since the companies were established in 2007 as part of the mutual to stock conversion process. Prior to the conversion, he served as a Director of First Financial Holdings, MHC, First Financial of Renton and First Savings Bank of Renton. Mr. Faull has served as a Director of First Savings Bank since 1999. He is an attorney and has been self-employed since 1974 in the law firm of Gary F. Faull Law Offices. Mr. Faull is a member of the Renton Rotary Club, the Greater Renton Chamber of Commerce, Veterans of Foreign Wars, a past director of the Renton Community Foundation and a past president of the South King County Bar Association. Mr. Faull is also a Trustee of the First Financial Northwest Foundation.

Joann E. Lee serves as a Director, and Compensation Committee Chairperson of First Financial and First Savings Bank, positions held since the companies were established in 2007 as part of the mutual to stock conversion process. Ms. Lee is also the Board's designated Financial Expert serving on the Audit Committee. Prior to the conversion, she served as a Director of First financial Holdings, MHC, First Financial of Renton and First Savings Bank of Renton since 2005. Ms. Lee is a Certified Public Accountant and has been the owner of Joann Lee & Associates, CPAs since 2002. Prior to that, Ms. Lee spent 11 years as a Certified Public Accountant including an eight year career with the independent public accounting firm of RSM McGladrey. She has also served as the Director of the Small Business Division, Puget Sound Region. Ms. Lee is a past president and current Board member of the Renton Rotary Club, and the Renton YMCA Board of Directors. She is also a member of the Renton Communities in Schools, Greater Renton Chamber of Commerce and a Director of the Renton Technical College Foundation. In addition Ms. Lee serves as a Trustee of the First Financial Northwest Foundation.

Gary F. Kohlwes serves as a Director and Audit Committee Chairman of First Financial and First Savings Bank, positions held since the companies were established in 2007 as part of the mutual to stock conversion process. Prior to the conversion, he held the same positions with First Financial Holdings, MHC, First Financial of Renton and First Savings Bank of Renton. He has served as a Director of First Savings Bank since 1977 and was appointed in 1982 to the board position of Secretary and Treasurer, positions he continues to hold. Dr. Kohlwes retired in 1997 after 40 years in education with the last 23 plus years as Superintendent of Public Schools for the Renton School District. He also was actively engaged as an owner/operator of a commercial fishing business in Naknek, Alaska since 1963 an operation he continues to oversee. Dr. Kohlwes is a past president and a current member of the Renton Rotary Club, past President and founding director of the Renton Community Foundation and a past elected Commissioner of Valley Medical Center. In addition Dr. Kohlwes is a Trustee of the First Financial Northwest Foundation and serves as its Executive Director.

Robert L. Anderson serves as a Director and Chairman of the Nominating/Corporate Governance Committee of First Financial and First Savings Bank, positions held since the companies were established in 2007 as part of the mutual to stock conversion process. Prior to the conversion, he served as a Director of First Financial Holdings, MHC, First Financial of Renton and First Savings Bank of Renton. Mr. Anderson has served as a Director of First Savings Bank of Renton since 1980 and as Secretary of First Financial Diversified since it was established in 1980 as Savren Service Corporation. He is a retired attorney who prior to his retirement in 1992, served as a senior partner in the law firm of Anderson, Jackson & Stephens. During his professional career Mr. Anderson was elected as a Director on the Renton School District's Board of Directors and served with distinction. He is a past President of the Kiwanis Club of Renton and the South King County Bar Association. Mr. Anderson is also a past Director of the Ocean Shores Library Board and is currently a member of the Ocean Shores Kiwanis and the Associated Arts of Ocean Shores.

Gerald Edlund serves as a Director of First Financial and First Savings Bank, positions held since the companies were established in 2007 as part of the mutual to stock conversion process. Prior to the conversion, he served as a Director of First Financial Holdings, MHC, First Financial of Renton and First Savings Bank of Renton. Mr. Edlund has served as a Director of First Savings Bank since 1985 and served as Secretary of First Financial Holdings, MHC

since it was established in 2002 until the conversion. He has been President of Edlund Associates, Inc., a landscape architect firm, since 1980. Mr. Edlund is a member of the New Horizon School Board, a past president and current member of the Renton Rotary Club and a member of the Allied Arts City of Renton.

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

Board of Directors

The Boards of Directors of First Financial and First Savings Bank conduct their business through board and committee meetings. During the fiscal year ended December 31, 2007, the Board of Directors of First Financial held five meetings and the Board of Directors of the Bank held 14 meetings. No director of First Financial or the Bank attended fewer than 75% of the total meetings of the boards and committees on which that person served during this period.

Committees and Committee Charters

The Board of Directors of First Financial has standing Audit, Compensation, Nominating and Corporate Governance, and Executive committees. The Board has adopted written charters for the Audit, Compensation, and Nominating and Corporate Governance committees, copies of which are available on our website at www.fsbnw.com.

Audit Committee. The Audit Committee consists of Directors Kohlwes (Chairperson), Faull and Lee. The Committee meets at least quarterly to oversee the integrity of the financial reporting process, financial statement audits and systems of internal controls. The Committee also appoints the independent auditor and reviews the audit report prepared by the independent auditor. The Audit Committee met nine times during the year ended December 31, 2007.

Each member of the Audit Committee is “independent” in accordance with the requirements for companies listed on Nasdaq. In addition, the Board of Directors has determined that Ms. Lee meets the definition of “audit committee financial expert,” as defined by the SEC.

Compensation Committee. The Compensation Committee consists of Directors Lee (Chairperson), Kohlwes, Anderson, Edlund, McLendon and Faull. The Committee meets at least twice a year to provide oversight regarding personnel, compensation and benefits related matters. The Committee is also responsible for evaluation First Financial’s chief executive officer and making recommendations to the full Board regarding director compensation. Each member of the Committee is “independent,” in accordance with the requirements for companies quoted on Nasdaq. This Committee met once during the year ended December 31, 2007.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee, which consists of Directors Anderson (Chairperson), Edlund and McLendon, assures that we maintain the highest standards and best practices in all critical areas relating to the management of the business of First Financial. The Committee also selects nominees for the election of directors and assesses Board and committee membership needs. The Committee meets at least twice a year. Each member of the Committee is “independent,” in accordance with the requirements for companies quoted on Nasdaq. This Committee did not meet during the year ended December 31,

2007, as First Financial was formed in June 2007.

The Nominating and Corporate Governance Committee met on March 5, 2008 to nominate directors for election at the annual meeting. Only those nominations made by the Nominating and Corporate Governance Committee or properly presented by shareholders will be voted upon at the annual meeting. In its deliberations for selecting candidates for nominees as director, the Committee considers the candidate's knowledge of the banking business and involvement in community, business and civic affairs, and also considers whether the candidate would provide for adequate representation of First Savings Bank's market area. Any nominee for director made by the Committee must be highly qualified with regard to some or all these attributes. In searching for qualified director candidates to fill vacancies on the Board, the Committee solicits its current Board of Directors for names of potentially qualified candidates.

Additionally, the Committee may request that members of the Board of Directors pursue their own business contacts for the names of potentially qualified candidates. The Committee would then consider the potential pool of director candidates, select the candidate it believes best meets the then-current needs of the Board, and conduct a thorough investigation of the proposed candidate's background to ensure there is no past history that would cause the candidate not to be qualified to serve as one of our directors. Although the Nominating and Corporate Governance Committee charter does not specifically provide for the consideration of shareholder nominees for directors, the Committee will consider director candidates recommended by a shareholder that are submitted in accordance with our Articles of Incorporation. Because our Articles of Incorporation provide a process for shareholder nominations, the Committee did not believe it was necessary to provide for shareholder nominations of directors in its charter. If a shareholder submits a proposed nominee, the Committee would consider the proposed nominee, along with any other proposed nominees recommended by members of our Board of Directors, in the same manner in which the Committee would evaluate its nominees for director. For a description of the proper procedure for shareholder nominations, see "Shareholder Proposals" in this proxy statement.

Executive Committee. The Executive Committee, consisting of Directors Karpiak (Chairman) and any two independent directors, acts for the Board of Directors when formal Board action is required between regular meetings. Its primary role is to approve loans of between \$3 million and \$5 million. The Committee has the authority to exercise all powers of the full Board of Directors, except that it does not have the power to act in place of the Audit, Compensation, or Nominating and Corporate Governance committees. The Executive Committee met six times during the year ended December 31, 2007.

Corporate Governance

We are committed to establishing and maintaining high standards of corporate governance. Our executive officers and Board of Directors are working together to establish a comprehensive set of corporate governance initiatives that they believe will serve the long-term interests of our 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 Nasdaq rules. Our Board of Directors will continue to evaluate and improve our corporate governance principles and policies as necessary and as required.

Director Independence. Our common stock is listed on the Nasdaq Global Select Market. In accordance with Nasdaq requirements, at least a majority of our directors must be independent directors. The Board has determined that six of our eight directors are independent, as defined by Nasdaq. Directors Kohlwes, Faull, Lee, Edlund, Anderson and McLendon are all independent. Only Victor Karpiak, who is our Chairman, President and Chief Executive Officer, and Harry A. Blencoe, who is our former Chairman, President and Chief Executive Officer, are not independent.

Code of Business Conduct and Ethics. On March 19, 2008, the Board of Directors adopted the Code of Business Conduct and Ethics. The Code is applicable to each of our directors, officers, including the principal executive officer and senior financial officers, and employees and requires individuals to maintain the highest standards of professional conduct. A copy of the Code of Ethics is available on our website at www.fsbnw.com.

Shareholder Communication with the Board of Directors. The Board of Directors welcomes communication from shareholders. Shareholders may send communications to the Board of Directors, First Financial Northwest, Inc., 201 Wells Avenue, Renton, Washington 98057. Shareholders should indicate clearly the director or director(s) to whom the communication is being sent so that each communication may be forwarded appropriately.

Annual Meeting Attendance by Directors. First Financial encourages, but does not require, its directors to attend the annual meeting of shareholders. It is expected that all members of the Board of Directors will attend our first annual meeting of shareholders.

Transactions with Related Persons. First Savings Bank has followed a policy of granting loans to officers and directors, which fully complies with all applicable federal regulations. Loans to directors and executive officers are made in the ordinary course of business and on the same terms and conditions as those of comparable transactions with

all customers prevailing at the time, in accordance with our underwriting guidelines, and do not involve more than the normal risk of collectibility or present other unfavorable features.

All loans made to our directors and executive officers are subject to federal regulations restricting loans and other transactions with affiliated persons of First Savings Bank. Loans and available lines of credit to all directors and executive officers and their associates totaled approximately \$1.2 million at December 31, 2007, which was less than one percent of our equity at that date. All loans to directors and executive officers were performing in accordance with their terms at December 31, 2007. Total deposits of directors and executive officers were approximately \$1.6 million at December 31, 2007.

We recognize that transactions between First Financial or First Savings Bank and any of its directors or executive officers can present potential or actual conflicts of interest and create the appearance that these decisions are based on considerations other than the best interest of First Savings Bank. Therefore as a general matter and in accordance with the Bank's Code of Conduct and Ethics Policy for Employees, Officers and Directors, it is our preference to avoid such transactions. Nevertheless, we recognize that there are situations where such transactions may be in, or may not be inconsistent with, the best interests of First Savings Bank. Accordingly, the Bank has adopted an informal policy which requires its Compensation Committee to review and, if appropriate, to approve or ratify any such transaction. In the event that a member of the Committee is a participant in the transaction, then that member is required to abstain from the discussion, approval or ratification process. Pursuant to the policy, the Committee will review any transaction in which First Savings Bank is or will be a participant and the amount involved exceeds \$120,000, and in which any of the directors or executive officers had, has or will have a direct or indirect material interest. After its review, the Committee will only approve or ratify those transactions that are in, or are not inconsistent with, the best interests of First Financial and First Savings Bank, as the Committee determines in good faith.

Director Edlund is a principal in the firm Edlund Associates, Inc., which is a landscape architecture company with design/building services. His company has a landscape maintenance contract with First Savings Bank under which the company was paid \$24,865 in 2007.

DIRECTORS' COMPENSATION

The following table shows the compensation paid to our non-employee directors for the year ended December 31, 2007. Directors who are employees of First Financial or any of its subsidiaries are not compensated for their services as directors; accordingly, compensation information for Victor Karpiak, who is our President and Chief Executive Officer, is included in the section entitled "Executive Compensation." We have not yet established any stock benefit plans and do not offer any non-equity incentive compensation; therefore, these columns have been omitted from the table.

Name	Fees Earned or Paid in Cash (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
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Harry A. Blencoe	29,150	(1)	53,725(2)	82,875
Joann E. Lee	36,750	--	--	36,750
Gary F. Kohlwes	31,500	--	--	31,500
Robert L. Anderson	31,125	--	--	31,125
Gerald Edlund	30,000	--	24,865(3)	54,865
Robert W. McLendon	31,025	--	--	31,025
Gary F. Faul	36,000	--	--	36,000

(Footnotes appear on following page)

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- (1) The present value of Director Blencoe's supplemental retirement agreement decreased by \$13,098 in 2007.
 - (2) Reflects compensation received pursuant to Director Blencoe's supplemental retirement agreement.
 - (3) Director Edlund is a principal in Edlund Associates, Inc., a landscape architect firm; represents indirect compensation received through his firm pursuant to a landscape maintenance contract.

Each director of First Financial is also a director of First Savings Bank. The directors received no additional compensation for attendance at any meeting of First Financial's Board of Directors during the year ended December 31, 2007. The directors are compensated for their service on First Savings Bank's Board of Directors. Non-employee directors of First Savings Bank receive a semi-annual retainer of \$7,500, a fee of \$850 for each board meeting attended and a fee of \$375 per committee meeting attended.

First Savings Bank's Compensation Committee recommends to the Board of Directors the amount of fees paid for service on the Board. For 2008, the Committee recommended increasing the directors' fees to a \$9,000 semi-annual retainer (from \$7,500 in 2007), increasing the fee to \$1,200 for each Board meeting attended (from \$850 in 2007) and increasing the fee to \$550 for each Board committee meeting attended (\$375 in 2007).

Director Blencoe is the former Chief Executive Officer of First Savings Bank. In 1991, First Savings Bank entered into an Executive Supplemental Retirement Plan Participation Agreement with him to provide certain benefits upon his normal retirement, early retirement or death prior to retirement. Director Blencoe retired effective as of December 31, 2004, which constituted normal retirement under the agreement. The agreement provides him with a monthly payment of \$4,477 for a total of 180 months. As of December 31, 2007, payments will continue for 144 months, or 12 years. In the event of Director Blencoe's death before all payments are made, First Savings Bank will continue making the payments to his designated beneficiary until a total of 180 payments have been made.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In this section, we will give an overview of our compensation program, the material compensation decisions we have made under the program and the material factors that we considered in making those decisions. Following this discussion, in the section entitled "Executive Compensation," we provide a series of tables containing specific information about the compensation earned or paid in 2007 and 2006 to the following officers, who are known as our named executive officers:

Victor Karpiak, Chairman, President and Chief Executive Officer
John P. Mills, President of Executive House, Inc.
David G. Kroeger, Executive Vice President, Commercial Lending
Robert H. Gagnier, Senior Vice President and Chief Lending Officer
Roger Elmore, Vice President and Senior Operations Officer

All compensation matters concerning our executive and non-executive officers are made at the sole discretion of the Compensation Committee which is comprised of all independent directors. Compensation determinations are made based on the Compensation Committee's independent review of management recommendations and peer group surveys, for both base salary and total compensation. The peer group data is derived from the Northwest Financial

Industry Survey prepared by Milliman, Inc., a global firm of consultants and actuaries serving the full spectrum of business, governmental and financial organizations since 1947, and in association with the Washington Financial League, the Washington Bankers Association and the Oregon Bankers Association. Mr. Karpiak's role is limited to providing information regarding the executive and non-executive officers to the Compensation Committee, other than himself, which includes salary and bonus histories for the past three years, performance highlights, level of responsibility and compensation recommendations for each officer. Mr. Karpiak does not provide any recommendation with respect to his individual compensation. Salary levels are provided as a specific dollar amount and are based on a range between the 50th and 75th percentile of the peer group data provided by the above-reference survey relative to the officer's

responsibilities and professional development. Following the presentation of this information, an executive session of the Compensation Committee is held without the presence of management where the compensation of each executive and non-executive officer is discussed and determined. Mr. Karpiak's recommendations are considered by the Compensation Committee, however, the Compensation Committee makes the final decision and may adjust the compensation levels for certain officers based on corporate position emphasis, retention issues and management development. The Compensation Committee of the Board of Directors relies heavily on Mr. Karpiak's recommendations. Given the independence of the data on which Mr. Karpiak bases his recommendations, his recommendations have very rarely been modified by the Compensation Committee.

The discussion below is intended to help you understand the detailed information provided in the executive compensation tables and put that information into context within our overall compensation program.

Compensation Philosophy and Objectives. Our overall goal in compensating executive officers is to attract, retain and motivate key executives of proven ability who are critical to our future success. We believe that short-term incentive compensation paid to executive officers should be directly aligned with our performance and that compensation should be structured to ensure achievement of financial and operational goals along with other factors that impact corporate value. Our long-term incentive is in the form of a supplemental retirement plan, which is tied to longevity.

Our compensation decisions with respect to executive officer salaries and incentive compensation are influenced by (1) the executive's level of responsibility and function within the organization, (2) the overall performance and profitability of First Savings Bank and (3) our assessment of the competitive marketplace, including other peer companies. Our philosophy is to focus on total direct compensation opportunities through a mix of base salary and annual incentive compensation.

Compensation Program Elements. The compensation program for executive officers consists of the elements described below.

Pay Element	What It Rewards	Purpose
Base Salary	Core competence in the executive's role relative to skills, experience and contributions to First Financial and First Savings Bank	Provide fixed compensation based on competitive market price
Annual Incentive Compensation	Contributions toward First Savings Bank's achievement of specified pre-tax profit	Provides annual performance based cash incentive compensation
Retirement Benefits	Executive officers are eligible to participate in employee benefit plans available to our eligible employees, including both tax-qualified and nonqualified retirement plans	
	The Chief Executive Officer and Chief Lending Officer have supplemental retirement agreements, which entitles each officer to additional retirement benefits subject to meeting certain minimum age and service	Provides a long-term incentive for the retention of key officers

requirements

Additional Benefits and Perquisites	Executives participate in employee benefit plans generally available to our employees, including medical insurance	These benefits are a part of our broad-based total compensation program
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Pay Element	What It Rewards	Purpose
	The Chief Executive Officer and the Executive Vice President of Executive House receive a car allowance	Assists in executive responsiveness for community based travel requirements
	The President of Executive House received unlimited use of a company car	Provides for client relationships and property inspections

The Compensation Committee of First Savings Bank has the responsibility for establishing and reviewing our compensation philosophy and objectives. In this role, the Committee has sought to design a compensation structure that attracts and retains qualified and experienced officers and, at the same time, is reasonable and competitive. Although First Savings Bank became a stock savings bank as a result of the mutual holding company reorganization in 2002, compensation paid to employees, officers and directors has consisted primarily of cash compensation, salary and bonuses, and retirement benefits.

Pay Philosophy and Competitive Standing. In general, we seek to provide competitive pay by targeting a range between the 50th and 75th percentiles relative to a peer group for total compensation opportunities, including salaries and incentive compensation. To achieve the percentile positioning for the total cash compensation component and yet maintain an effective efficiency ratio and excellent asset quality, we emphasize the fixed salary pay with less opportunity for performance-based bonuses.

With the assistance of Milliman, Inc., we receive and analyze competitive market data contained in the Northwest Financial Industry Salary Survey every year. The data is independently collected by Milliman and represents approximately 119 Northwest financial institutions ranging in asset size from \$21.0 million to \$6.1 billion. The data is then grouped by collective asset sizes with the information adequately reflecting the complexities and compensation levels of peer group institutions. We compare compensation paid to our named executive officers with compensation paid to executive officers in comparable positions at similar size institutions.

Base Salary. Mr. Karpiak makes initial recommendations to the Compensation Committee that are based on the peer group data contained in the survey prepared by Milliman. Given the independence of the data on which Mr. Karpiak bases his recommendations, his recommendations have very rarely been modified by the Compensation Committee. For 2008, the Compensation Committee determined the base salaries of Messrs. Karpiak, Kroeger, Gagnier and Elmore and submitted these determinations to the full Board of Directors for review. Mr. Mills retired effective as of December 1, 2007. Mr. Karpiak, the only named executive officer who is also a member of the Board, did not participate in discussions regarding his own compensation. In setting base salary, the Compensation Committee used the information provided by Milliman, and also considered each executive's experience and tenure, our overall annual budget for merit increases, the executive's individual performance and changes in responsibility. The determination of the named executive officers' base salary is a subjective determination with no specific criteria considered and, consequently, no particular weight is given to any single factor. The 2008 base salaries for Messrs. Karpiak, Kroeger, Gagnier and Elmore are \$375,000, \$176,000, \$150,000 and \$155,000, respectively, reflecting increases of approximately 50%, 5%, 11% and 35%, respectively, from 2007 salaries. The Compensation Committee believes that the base salaries paid to each member of the senior management team is commensurate with the individual's duties, performance and range for the industry compared with financial institutions of similar size within First Savings Bank's region. Salary levels are reviewed annually and base salary is not targeted at any particular percent of total compensation.

Annual Incentive Compensation. Mr. Karpiak makes initial recommendations to the Compensation Committee that are based on the peer group data contained in the survey prepared by Milliman. Given the independence of the data

on which Mr. Karpiak bases his recommendations, his recommendations have very rarely been modified by the Compensation Committee. Our Annual Incentive Plan provides our executive officers and staff with an opportunity to earn annual cash bonuses based on our corporate performance as measured by our earnings, asset and loan growth. The annual cash bonuses are determined at the discretion of the Compensation Committee based on the individual's performance with percentages and dollar amounts set without guarantee or commitment. The determination of the

individual's performance is a subjective determination using various measures, including but not limited to leadership, personal efforts, and corporate commitment. Annual bonuses for the named executive officers are determined by the Compensation Committee from a bonus pool for all employees that, for fiscal 2007, represented 4.70% of pre-tax income, excluding the one-time contribution of \$16,928,000 to the First Financial Northwest Foundation. The Committee determines the aggregate amount from that pool that is paid to the named executive officers based on their base salary. As part of its determination, the Compensation Committee considered the external compensation survey described above and determined that the aggregate and individual cash bonus amounts were commensurate with the performance of First Savings Bank and the named executive officers during the year. The cash bonuses paid for 2007 were 11.06% of total compensation as compared to 8.04% of total compensation in 2006.

Retirement Benefits. First Savings Bank maintains the First Savings Bank Profit Sharing 401(k) Savings Plan (the "401(k) plan") for the benefit of all of its eligible employees, including the named executive officers. The 401(k) plan is intended to be a tax-qualified retirement plan under Sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended. Employees of First Savings Bank who have completed one year of service and who have attained age 18 are eligible to participate in the 401(k) plan. Generally, participants direct the investment of the plan assets.

For 2007, participants could contribute up to \$15,500 of their annual compensation through a pre-tax salary reduction election. Participants 50 years of age or more could elect to make an additional \$5,000 pre-tax salary reduction election. First Savings Bank matches the first 6% of a participant's pre-tax salary reduction contribution at the rate of 100%. To be eligible for a matching contribution, the participant must be actively employed on the pay period for which the match is allocated. Participants are at all times 100% vested in their salary reduction contributions; however, their related matching contributions are subject to a vesting period. For the fiscal year ended December 31, 2007, First Savings Bank incurred a matching contribution-related expense of approximately \$163,000 in connection with the 401(k) plan. For the 401(k) plan's fiscal year ended December 31, 2007, employees contributed approximately \$217,000 to the 401(k) plan.

First Savings Bank also maintains executive supplemental retirement agreements, in which Messrs. Karpiak and Gagnier participate. The agreements are intended to provide supplemental benefits upon the executive's normal retirement, early retirement or death prior to retirement. The agreements provide a \$25,000 annual base benefit. The annual base benefit increases at a rate of four percent for each year of participation. Benefits generally commence upon the later of the participant's retirement or attainment of age 65, which is the normal retirement date. If the executive retires between age 55 and 65, he may be able to elect to have an actuarially reduced benefit that commences prior to age 65, to the extent permitted under the federal tax laws governing nonqualified deferred compensation plans. There is no benefit for retirement before age 55. The annual benefit is paid in monthly installments over 15 years. In the event of an executive's death prior to retirement but while still employed by First Savings Bank, the executive's designated beneficiary would receive a benefit equal to the normal retirement benefit, up to a maximum of \$200,000.

Additional Benefits and Perquisites. At First Savings Bank, an important part of our total compensation plan is the employee benefits program. We offer a comprehensive and flexible benefits plan on a non-discriminatory basis to support the basic health, welfare and retirement needs of all of our employees, including our named executive officers. The primary elements of the benefits plan include medical/dental/vision plans, paid time off for vacation and illness (including vacation leave not taken), tuition reimbursement, bereavement leave and training. We also offer various fringe benefits to all of our employees, including our named executive officers, as well as group policies for medical insurance. We provide medical coverage at no cost to employees, with the employee being responsible for a portion of the dependent's premium. Our Chief Executive Officer and the Executive Vice President, Commercial Lending receive an automobile allowance. The Compensation Committee believes these benefits are appropriate and assist the officers in fulfilling their employment obligations.

The named executive officers, along with all eligible employees, participate in our ESOP. Each eligible participant is allocated the same proportion that the participation's compensation for the plan year bears to the total compensation of eligible participants for that year, subject to certain limitations.

Additional Considerations. Market data, individual performance, retention needs and internal pay equity have been the primary factors considered in decisions to adjust compensation materially. The accounting and tax treatment

of compensation generally has not been a factor in determining the amounts of compensation for our executive officers. However, the Compensation Committee and management have considered the accounting and tax impact of various program designs to balance the potential cost to First Savings Bank with the benefit/value to the employee.

Role of Executive Officers in Determining Compensation. Our Chief Executive Officer recommends to the Compensation Committee base salary and actual bonus payouts for our named executive officers and all other officers (other than himself). Mr. Karpiak makes these recommendations to the committee based on data and analysis provided by Milliman in association with the Washington Financial League, the Washington Bankers Association and the Oregon Bankers Association, and qualitative judgments regarding individual performance. Mr. Karpiak is not involved with any aspect of determining his own compensation as that function is performed by the Compensation Committee utilizing independent data contained in Northwest Financial Industry Salary Survey prepared by Milliman in association with the Washington Financial League, the Washington Bankers Association and the Oregon Bankers Association.

The compensation paid to Mr. Karpiak is determined by the Compensation Committee based upon a review of First Savings Bank's performance in comparison to the peer group included in the Northwest Financial Industry Salary Survey prepared by Milliman. The final compensation level is based on the peer group analysis contained in the survey and consideration is also given to First Savings Bank's asset size, balance sheet complexity, corporate direction and management structure. No particular weight is given to any of these factors by the Compensation Committee and the final compensation level is based on a subjective determination by the Compensation Committee.

Compensation Committee Report

The Compensation Committee of First Savings Bank's Board of Directors has submitted the following report for inclusion in this proxy statement:

We have reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with management. Based on the Committee's review of and the discussion with management with respect to the Compensation Discussion and Analysis, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

The foregoing report is provided by the following directors, who constitute the Committee:

The Compensation Committee:

Joann E. Lee Dr. Gary F. Kohlwes
(Chairman)
Robert W. Robert L. Anderson
McLendon
Gerald Gary F. Faull
Edlund

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.

Executive Compensation

Summary Compensation Table. The following table shows information regarding 2007 and 2006 compensation for our named executive officers. We have not yet established any stock benefit plans and do not currently offer any

equity incentive compensation; therefore, these columns have been omitted from the table.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$)(2)	All Other Compensation (\$)(3)	Total (\$)
Victor Karpiak Chairman, President and Chief Executive Officer	2007	250,000	125,000	150,503	31,233	556,736
	2006	195,000	80,000	166,747	29,136	470,883
John P. Mills President Executive House, Inc.	2007	201,478	--	--	7,500	208,978
	2006	225,000	--	--	7,500	232,500
David G. Kroeger Executive Vice President Commercial Lending	2007	168,000	30,000	27,000	31,979	256,979
	2006	160,000	40,000	--	14,159	214,159
Robert H. Gagnier Senior Vice President and Chief Lending Officer	2007	135,000	30,000	114,958	17,451	297,409
	2006	120,000	30,000	133,422	15,645	299,067
Roger Elmore Vice President and Senior Operations Officer	2007	115,000	35,000	5,000	18,830	173,830
	2006	105,000	25,000	3,000	17,099	150,099

- (1) Reflects the value of cash incentive bonuses paid out under our Annual Incentive Plan.
- (2) Reflects the increase in actuarial present values of each executive officer's accumulated benefits under our Pension Plan and with respect to Mr. Karpiak and Mr. Gagnier, our Supplemental Retirement Plan. Mr. Mills did not participate in these plans and retired effective as of December 1, 2007. Mr. Kroeger began participating in the Pension Plan in 2007.
- (3) For 2007, includes employer matching contributions made to the 401(k) plan in the amounts of \$12,423, \$4,652, \$8,100 and \$6,900 for Messrs. Karpiak, Kroeger, Gagnier and Elmore, respectively; paid medical premiums of \$12,810, \$6,327, \$9,351 and \$11,931 for Messrs. Karpiak, Kroeger, Gagnier and Elmore, respectively; for Mr. Karpiak and Mr. Kroeger, a car allowance of \$6,000 each; and for Mr. Mills, use of a company car.

Employment Agreement for Chief Executive Officer. We entered into an employment agreement with Victor Karpiak on October 17, 2007. The agreement has an initial term of three years and on each anniversary of October 17, 2007, the term of the agreement will be extended for an additional year unless notice is given by the Board to Mr. Karpiak, or vice versa, at least 90 days prior to the anniversary date. The initial base salary level for Mr. Karpiak is \$250,000, which is paid by First Savings Bank and may be increased at the discretion of the Board of Directors or an authorized committee of the Board. Under the agreement, Mr. Karpiak is eligible to participate in all in all plans of First Financial and First Savings Bank relating to pension, retirement, thrift, profit-sharing, savings, group or other life insurance, hospitalization, medical and dental coverage, travel and accident insurance, education, cash bonuses, and other retirement or employee benefits or combinations thereof, as well as any equity-based plans in which First Financial's or the Bank's executive officers are eligible to participate. The agreement provides that compensation may be paid in connection with the termination of Mr. Karpiak's employment under a variety of scenarios, as described below under "Potential Payments Upon Termination."

Severance Arrangements. We entered into a change in control severance agreement with Roger Elmore on October 17, 2007. The agreement has a term of three years. On each anniversary of October 17, 2007, the term of the agreement may be extended for an additional year at the discretion of the Board or an authorized committee of the Board. The severance agreement would provide for a severance payment and other benefits if Mr. Elmore is involuntarily