

NEWS RELEASE



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FirstCity Financial Announces Third Quarter 2002 Results

Waco, Texas November 14, 2002... FirstCity Financial Corporation (Nasdaq FCFC) today announced a loss from continuing operations for the quarter ended September 30, 2002 of \$1.1 million, or \$.21 per share. The net loss to common shareholders was \$7.5 million, or \$.89 per share on a diluted basis, after subtracting \$5.7 million for a provision for impairment in the discontinued mortgage operations and accrued and unpaid dividends of \$642,000 on the Company's preferred stock.

Components of the results for the three months and nine months ended September 30, 2002 and 2001, respectively, are detailed below:

(\$ thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2002	2001	2002	2001
Portfolio Asset Acquisition and Resolution	\$ 787	\$ 153	\$ 9,100	\$ 7,230
Consumer	280	(1,367)	(406)	2,532
Corporate interest	(939)	(1,102)	(2,608)	(3,745)
Corporate overhead	(1,265)	(1,289)	(3,855)	(3,829)
Cumulative effect of accounting change	—	—	—	(304)
Earnings (loss) from continuing operations	(1,137)	(3,605)	2,231	1,884
Accrued preferred dividends	(642)	(642)	(1,926)	(1,926)
Loss from discontinued operations	<u>(5,700)</u>	<u>(2,000)</u>	<u>(7,700)</u>	<u>(3,000)</u>
Net loss to common shareholders	<u><u>\$(7,479)</u></u>	<u><u>\$(6,247)</u></u>	<u><u>\$(7,395)</u></u>	<u><u>\$(3,042)</u></u>

Discontinued Operations

The Company recorded a provision for impairment of discontinued operations of \$5.7 million during the quarter. This provision is a result of a reduction in the anticipated future cash flows expected from assets held in discontinued operations, consisting of the following:

Increase in expected prepayments	\$2.0 million
Decline in value of other assets	2.0 million
Increase in expected losses	1.5 million
Increase in reserves for expenses	.2 million.

As of September 30, 2002, the anticipated net realizable value of the Company's investment in discontinued operations is \$9.8 million, which is net of reserves of \$.6 million. The remaining reserves represent estimates of the anticipated liquidation costs associated with the cash flows from the securitization trusts.

(more)

Portfolio Asset Acquisition

The Company purchased two portfolios during the quarter, a domestic portfolio of \$5 million consisting of primarily non-performing commercial loans, and a \$39 million portfolio in France. The Company invested equity of \$1.9 million in the French portfolio, consisting primarily of performing and nonperforming loans to small- and medium-sized companies.

Operating contribution of \$787,000 was comprised of \$6.1 million in revenues, net of \$5.2 million of expenses and a provision for impairment of \$157,000. The business generated 55% of the revenues from domestic investments, 39% from investments in Mexico and 7% from investments in France. The major components of revenue for the quarter include servicing fees of \$3.3 million, interest income of \$1.2 million, and equity earnings in acquisition partnerships of \$0.9 million.

FirstCity continues to believe that significant opportunities in distressed assets remain. FirstCity believes that its proposed recapitalization of the Company, if successfully completed, will allow it to pursue these opportunities.

31% Interest in Drive Financial

Drive acquired \$100 million of receivables during the quarter and also completed a securitization of \$200 million in receivables. This transaction was treated as a financing and, therefore, no gain was recorded on the sale from the securitization. Defaults, losses and delinquencies were 18.73%, 9.30% and 7.53%, respectively, at the end of the quarter, compared to 15.98%, 7.59% and 7.27%, respectively, for the same period last year. These relatively high levels reflect continued weakness in the economy.

Corporate Matters

On October 28, 2002 the Company commenced an exchange offer for its shares of new preferred stock. The Company is offering to exchange each share of its New Preferred Stock for, at the holder's election, either:

- (1) \$10.00 cash and 2 shares of FirstCity's common stock, or
- (2) \$ 8.00 cash and 3 shares of FirstCity's common stock.

The exchange offer is conditioned on, among other things, the tender of at least 80% of the outstanding shares of New Preferred Stock and is set to expire at 12:00 midnight, New York City time, on Monday, November 25, 2002.

Materials regarding the exchange offer were mailed to shareholders in early November. FirstCity has filed a tender offer statement and other related documents with the Securities and Exchange Commission concerning the exchange offer. Copies of the exchange offer materials may be obtained from Suzy Taylor by calling her toll free at (866) 652-1810 or at the SEC's website, www.sec.gov. **Holders of New Preferred Stock are strongly advised to read these documents because they contain important information.**

Forward Looking Statements

Certain statements in this press release, which are not historical in fact, including, but not limited to, statements relating to the proposed recapitalization and future performance, may be deemed to be forward-looking statements under the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may project, indicate or imply future

results, performance or achievements, and may contain the words “expect”, “intend”, “plan”, “estimate”, “believe”, “will be”, “will continue”, “will likely result”, and similar expressions. Such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. There are many important factors that could cause FirstCity’s actual results to differ materially from those indicated in the forward-looking statements.

These factors include, but are not limited to, the consummation and the effect of the proposed recapitalization, the performance of FirstCity’s subsidiaries and affiliates; availability of portfolio assets; assumptions underlying portfolio asset performance, the degree to which the FirstCity is leveraged; FirstCity’s continued need for financing; availability of FirstCity’s credit facilities; the impact of certain covenants in loan agreements of FirstCity and its subsidiaries, general economic conditions; interest rate risk; changes (legislative and otherwise) in the asset securitization industry; fluctuation in residential and commercial real estate values; capital markets conditions, including the markets for asset-backed securities; risks of declining value of loans, collateral or assets; risks associated with foreign operations; currency exchange rate fluctuations and foreign social and economic conditions; the ability of FirstCity to utilize net operating loss carryforwards; uncertainties of any litigation arising from discontinued operations; factors more fully discussed and identified under Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” risk factors and other risks identified in FirstCity’s Annual Report on Form 10-K/A, filed with the SEC on August 21, 2002, as well as in FirstCity’s other filings with the SEC. Many of these factors are beyond FirstCity’s control. In addition, it should be noted that past financial and operational performance of FirstCity is not necessarily indicative of future financial and operational performance. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements.

The forward-looking statements in this release speak only as of the date of this release. FirstCity expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in FirstCity’s expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

FirstCity is a diversified financial services company with operations dedicated to portfolio asset acquisition and resolution and consumer lending with offices in the U.S. and with affiliate organizations in France and Mexico. Its common (FCFC) and preferred (FCFCO) stocks are listed on the Nasdaq National Market System.

FirstCity Financial Corporation
Summary of Operations
(In thousands, except per share data)
(Unaudited)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenues:				
Servicing fees from affiliates	\$ 3,263	\$ 2,177	\$ 9,655	\$ 7,846
Gain on resolution of Portfolio Assets	225	443	925	875
Equity in earnings (loss) of investments	1,277	(519)	6,691	11,967
Interest income from affiliates	962	1,258	3,063	2,838
Interest income - other	280	481	841	1,554
Gain on sale of interest in equity investments	-	182	1,779	3,316
Other income	534	267	1,710	1,097
Total revenues	<u>6,541</u>	<u>4,289</u>	<u>24,664</u>	<u>29,493</u>
Expenses:				
Interest and fees on notes payable to affiliates	1,503	2,028	4,439	6,243
Interest and fees on notes payable - other	64	252	301	791
Salaries and benefits	3,545	2,464	9,705	7,456
Provision for loan and impairment losses	157	1,000	278	3,128
Occupancy, data processing, communication and other	2,219	2,500	6,589	8,249
Total expenses	<u>7,488</u>	<u>8,244</u>	<u>21,312</u>	<u>25,867</u>
Earnings (loss) from continuing operations before income taxes and minority interest	(947)	(3,955)	3,352	3,626
Provision for income taxes	(28)	(27)	(35)	(19)
Earnings (loss) from continuing operations before minority interest	(975)	(3,982)	3,317	3,607
Minority interest	(162)	377	(1,086)	(1,419)
Cumulative effect of accounting change	-	-	-	(304)
Earnings (loss) from continuing operations	(1,137)	(3,605)	2,231	1,884
Loss from discontinued operations	(5,700)	(2,000)	(7,700)	(3,000)
Net loss	(6,837)	(5,605)	(5,469)	(1,116)
Accumulated preferred dividends in arrears	(642)	(642)	(1,926)	(1,926)
Net loss to common shareholder:	<u>\$ (7,479)</u>	<u>\$ (6,247)</u>	<u>\$ (7,395)</u>	<u>\$ (3,042)</u>
Basic and diluted earnings (loss) per common share are as follows:				
Earnings (loss) from continuing operations	\$ (0.21)	\$ (0.51)	\$ 0.04	\$ 0.03
Accounting change	-	-	-	(0.03)
Discontinued operations	(0.68)	(0.24)	(0.92)	(0.36)
Net loss per common share	\$ (0.89)	\$ (0.75)	\$ (0.88)	\$ (0.36)
Wtd. avg. common shares outstanding	8,376	8,376	8,376	8,374

Selected Unaudited Balance Sheet Data

	<u>September 30,</u>	<u>December 31,</u>
	<u>2002</u>	<u>2001</u>
Portfolio acquisition and resolution assets	\$ 75,636	\$ 79,335
Consumer assets	10,168	10,205
Deferred tax asset	20,101	20,101
Net assets of discontinued operations	9,793	16,657
Total assets	132,636	138,893
Notes payable	86,470	91,209
Preferred stock	34,027	32,101
Total common shareholders' equity (deficit)	(1,739)	3,877

FirstCity Financial Corporation
Supplemental Information
(Dollars in thousands)
(Unaudited)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Summary Operating Statement Data for Each Business				
Portfolio Asset Acquisition and Resolution:				
Revenues	\$ 6,143	\$ 5,985	\$ 25,032	\$ 26,325
Expenses	5,199	4,832	15,654	15,967
Operating contribution before provision for loan and impairment losses	944	1,153	9,378	10,358
Provision for loan and impairment losses	157	1,000	278	3,128
Operating contribution, net of direct taxes	<u>\$ 787</u>	<u>\$ 153</u>	<u>\$ 9,100</u>	<u>\$ 7,230</u>
Consumer Lending:				
Revenues, net of equity in loss of investment	\$ 353	\$ (1,701)	\$ (495)	\$ 3,138
Expenses, net of minority interest	73	(334)	(89)	606
Operating contribution (loss), net of direct taxes	<u>\$ 280</u>	<u>\$ (1,367)</u>	<u>\$ (406)</u>	<u>\$ 2,532</u>

Portfolio Asset Acquisition and Resolution:

Overview

Aggregate purchase price of portfolios acquired:

Acquisition partnerships				
Domestic	\$ 5,028	\$ -	\$ 25,522	\$ 89,225
Mexico	-	52,478	11,709	82,060
France	39,163	-	66,665	1,613
Italy	-	-	16,943	-
Total	<u>\$ 44,191</u>	<u>\$ 52,478</u>	<u>\$ 120,839</u>	<u>\$ 172,898</u>

Historical Acquisitions - Annual

	<u>Purchase Price</u>	<u>FirstCity's Investment</u>
2002 year to date	\$ 120,839	\$ 11,684
2001	224,927	24,319
2000	394,927	22,140
1999	210,799	11,203
1998	139,691	28,478
1997	183,229	37,109

Portfolio acquisition and resolution assets by region:

Domestic	\$ 42,142	\$ 48,976
Mexico	19,093	19,984
France and Italy	14,401	9,150
Total	<u>\$ 75,636</u>	<u>\$ 78,110</u>

Revenues by region:

Domestic	\$ 3,361	\$ 3,232	\$ 15,322	\$ 15,969
Mexico	2,379	2,047	5,746	7,040
France and Italy	401	706	3,957	3,296
Other foreign	2	-	7	20
Total	<u>\$ 6,143</u>	<u>\$ 5,985</u>	<u>\$ 25,032</u>	<u>\$ 26,325</u>

Revenues by source:

Equity earnings	\$ 924	\$ 1,183	\$ 7,186	\$ 8,836
Servicing fees	3,263	2,177	9,655	7,846
Interest income - loans	1,207	1,656	3,797	4,174
Gain on sale of interest in equity investment	-	182	1,779	3,316
Gain on resolution of Portfolio Assets	225	443	925	875
Other	524	344	1,690	1,278
Total	<u>\$ 6,143</u>	<u>\$ 5,985</u>	<u>\$ 25,032</u>	<u>\$ 26,325</u>

FirstCity Financial Corporation
Supplemental Information
(Dollars in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Analysis of Equity Investments in Acquisition Partnerships:				
FirstCity's Average investment in Acquisition Partnerships				
Domestic	\$ 31,579	\$ 30,586	\$ 32,753	\$ 29,438
Mexico	(2,048)	1,026	(717)	1,107
France and Italy	10,484	7,111	9,356	7,212
France-Servicing subsidiaries	2,931	2,084	2,558	1,850
Total	<u>\$ 42,946</u>	<u>\$ 40,807</u>	<u>\$ 43,950</u>	<u>\$ 39,607</u>
FirstCity Share of Equity Earnings (Loss):				
Domestic	\$ 1,310	\$ 1,174	\$ 7,812	\$ 6,668
Mexico	(812)	(653)	(2,726)	(995)
France and Italy	415	652	1,409	2,166
France-Servicing subsidiaries	11	10	691	997
Total	<u>\$ 924</u>	<u>\$ 1,183</u>	<u>\$ 7,186</u>	<u>\$ 8,836</u>
Selected other data:				
Average investment in wholly owned portfolio assets and loans receivable:				
Domestic	\$ 12,347	\$ 20,650	\$ 13,564	\$ 25,793
Mexico	20,106	20,272	20,006	16,773
Total	<u>\$ 32,453</u>	<u>\$ 40,922</u>	<u>\$ 33,570</u>	<u>\$ 42,566</u>
Income from wholly owned portfolio assets and loans receivable:				
Domestic	\$ 485	\$ 882	\$ 1,769	\$ 2,351
Mexico	947	1,217	2,953	2,698
Total	<u>\$ 1,432</u>	<u>\$ 2,099</u>	<u>\$ 4,722</u>	<u>\$ 5,049</u>
Servicing fee revenues:				
Domestic partnerships:				
\$ Collected	\$ 26,653	\$ 26,407	\$ 162,864	\$ 94,300
Servicing fee revenue	1,249	711	4,399	2,550
Average servicing fee %	4.69%	2.69%	2.70%	2.70%
Mexico partnerships:				
\$ Collected	\$ 20,895	\$ 36,924	\$ 69,245	\$ 101,345
Servicing fee revenue	1,792	1,466	4,778	4,887
Average servicing fee %	8.58%	3.97%	6.90%	4.82%
Incentive service fees	\$ 222	\$ -	\$ 478	\$ 409
Total Service Fees:				
\$ Collected	\$ 47,548	\$ 63,331	\$ 232,109	\$ 195,645
Servicing fee revenue	3,263	2,177	9,655	7,846
Average servicing fee %	6.86%	3.44%	4.16%	4.01%
Servicing portfolio (face value)				
Domestic	\$ 382,610	\$ 478,309		
Mexico	1,307,198	1,562,197		
France and Italy	803,140	388,129		
Total	<u>\$ 2,492,948</u>	<u>\$ 2,428,635</u>		
Number of personnel at period end:				
Production	26	25		
Servicing				
Domestic	58	53		
Mexico	88	46		
Total persone	<u>172</u>	<u>124</u>		

FirstCity Financial Corporation
Supplemental Information
(Dollars in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2002	2001	2002	2001
Consumer Lending:				
Retail installment contracts acquired ⁽¹⁾	\$ 100,430	\$ 100,187	\$ 314,611	\$ 330,631
Origination characteristics:				
Face value to wholesale value	98.07%	97.99%	99.69%	99.80%
Weighted average coupon	20.93%	20.68%	21.02%	20.61%
Purchase discount (% of face value)	15.02%	14.98%	15.41%	15.15%
Servicing portfolio (face value in \$)	663,758	537,500		
Defaults (% of original balance at time of default)	18.73%	15.98%		
Net loss on defaults after recovery	9.30%	7.59%		
Delinquencies (% of total serviced portfolio)	7.53%	7.27%		
Equity in earnings (loss) of Drive	\$ 353	\$ (1,702)	\$ (495)	\$ 3,131
Cumulative effect of accounting change	-	-	-	(304)
Minority interest	(71)	340	99	(565)
Net equity in earnings (loss) of Drive	<u>\$ 282</u>	<u>\$ (1,362)</u>	<u>\$ (396)</u>	<u>\$ 2,262</u>

(1) Auto lending business formerly conducted by FirstCity Funding (FirstCity now owns 31% of Drive Financial Services and accounts for its investment using the equity method of accounting).