

NEWS RELEASE

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FirstCity Financial (NASDAQ FCFC) Reports First Quarter 2005 Earnings of \$2.5 Million

Waco, Texas May 12, 2005...

Highlights of the Quarter:

- **FirstCity reports 1st quarter 2005 earnings of \$2.5 million, or \$.21 per diluted share**
- **FirstCity invested \$2.2 million in portfolio assets for the quarter.**
- **FirstCity invested an additional \$2.0 million in equity investments.**
- **Pipeline for portfolio assets remains strong.**

FirstCity Financial Corporation today announced net earnings to common stockholders for the quarter ended March 31, 2005 of \$2.5 million or \$.21 per share on a diluted basis.

Components of the results are detailed below (dollars in thousands except per share data):

	Three Months Ended March 31, (unaudited)	
	<u>2005</u>	<u>2004</u>
Portfolio Asset Acquisition and Resolution	\$4,188	\$4,046
Corporate interest	(73)	(1,000)
Corporate overhead	(1,566)	(1,312)
Earnings from continuing operations	<u>2,549</u>	<u>1,734</u>
Discontinued Consumer operations	-	3,115
Net earnings to common stockholders	<u>\$2,549</u>	<u>\$4,849</u>
Diluted earnings per common share	<u>\$ 0.21</u>	<u>\$ 0.41</u>

James T. Sartain, President and CEO of FirstCity said, "We remain very optimistic regarding the portfolio acquisition business. Our pipeline is as strong as it has ever been. We are currently evaluating eighteen different transactions representing over \$5 Billion in face value of assets. These prospects, coupled with our strong liquidity, position the company to perform very well in 2005."

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Portfolio Asset Acquisition and Resolution

FirstCity purchased \$14.9 million in portfolio assets through Acquisition Partnerships during the first quarter of 2005. Purchases consisted of four portfolios – three in the United States and one in Mexico. Equity invested during the quarter by the Company was \$2.2 million, consisting of \$1.5 million in the U.S. and \$.7 million in Mexico.

Portfolio purchases are detailed below (in millions):

	Domestic	Europe	Latin America	Total	Invested Equity
2005					
1 st Quarter	\$ 12.1	\$ -	\$ 2.8	\$ 14.9	\$ 2.2
2004					
4 th Quarter	23.2	-	22.7	45.9	11.1
3 rd Quarter	26.6	-	9.5	36.1	27.1
2 nd Quarter	34.9	9.8	40.7	85.4	18.5
1 st Quarter	6.5	-	.2	6.7	3.1
Total Year 2004	\$ 91.2	\$ 9.8	\$ 73.1	\$174.1	\$ 59.8
Total Year 2003*	\$ 92.6	\$ 31.2	\$ 5.4	\$129.2	\$ 22.9 *
Total Year 2002	\$ 61.4	\$ 98.7	\$ 11.7	\$171.8	\$ 16.7

* The Company invested \$3.4 million in partnerships during 2003 in addition to the acquisitions above.

During the quarter, FirstCity also invested \$2.0 million to increase its ownership percentage in a French servicing company from 10% to 12% and in an Acquisition Partnership located in France from 33% to 43%.

Operating contribution from the Portfolio Asset Acquisition business for the first quarter was \$4.2 million. The earnings are comprised of \$9.6 million in revenues and \$5.4 million of expenses. The business generated 62% of the revenues from domestic investments, 25% from investments in Latin America and 13% from investments in Europe. The major components of revenue for the quarter include equity earnings in Acquisition Partnerships and servicing entities of \$3.4 million, servicing fees of \$3.2 million, gain on resolution of Portfolio Assets of \$1.9 and interest income and other of \$1.1 million.

Operating contribution from the Portfolio Asset Acquisition business for the first quarter includes net foreign currency gains of \$549,000, which is comprised of \$319,000 in Mexican peso gains and \$230,000 of Euro gains. Quarterly results were less impacted by foreign currency fluctuations, as the Company borrowed in Euros to hedge the risk associated with foreign currency exposure.

The following table details the impact of these items on corporate earnings.

Illustration of the Effects of Currency Fluctuations (dollars in thousands)	Three Months Ended	
	March 31, (unaudited)	
	2005	2004
Earnings from continuing operations as reported	\$2,549	\$1,734
Mexican peso gains	319	463
Euro gains	230	309
Mexican peso exchange rate at valuation date	11.29	11.09
Euro exchange rate at valuation date	0.77	0.82

Conference Call

A conference call will be held **today at 9:00 a.m. Central time** to discuss first quarter 2005 results. A question and answer session will follow the prepared remarks. Details to access the call and webcast are as follows:

Event: FirstCity Financial Corporation First Quarter 2005 Conference Call
 Date: Thursday May 12, 2005
 Time: 9:00 a.m. Central Time
 Host: James T. Sartain, FirstCity's President and Chief Executive Officer
 Web Access: FirstCity's web page- www.fcc.com/invest.htm or,
 CCBN's Investor websites- www.streetevents.com and, www.earnings.com
 Dial In Access:
 Domestic 866-761-0749
 International 617-614-2707
Pass code - 19967857
 Replay
 Domestic 888-286-8010
 International 617-801-6888
Pass code - 12567178
 Available until Thursday, May 26, 2005

Forward Looking Statements

Certain statements in this press release, which are not historical in fact, including, but not limited to, statements relating to 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 the Company's actual results to differ materially.

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These factors include, but are not limited to, the performance of the Company's subsidiaries and affiliates, availability of portfolio assets, assumptions underlying portfolio asset performance, risks associated with foreign operations, currency exchange rate fluctuations, interest rate risk, risks of declining value of loans, collateral or assets; the degree to which the Company is leveraged, the Company's continued need for financing, availability of the Company's credit facilities, the impact of certain covenants in loan agreements of the Company and its subsidiaries, the ability of the Company to utilize net operating loss carry forwards, general economic conditions, foreign social and economic conditions, 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, 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the SEC on March 22, 2005, as well as in the Company's other filings with the SEC.

Many of these factors are beyond the Company's control. In addition, it should be noted that past financial and operational performance of the Company 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. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

The Company is a diversified financial services Company with operations dedicated to portfolio asset acquisition and resolution with offices in the U.S. and with affiliate organizations in France and Mexico. Its common (FCFC) stock is listed on the NASDAQ National Market System.

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

	Three Months Ended	
	March 31,	
	2005	2004
Revenues:		
Servicing fees from affiliates	\$ 3,172	\$ 3,032
Gain on resolution of Portfolio Assets	1,862	75
Equity in earnings of investments	3,401	4,175
Interest income from affiliates	451	444
Interest income - other	486	85
Other income	349	1,338
Total revenues	<u>9,721</u>	<u>9,149</u>
Expenses:		
Interest and fees on notes payable to affiliates	8	25
Interest and fees on notes payable - other	872	1,688
Interest on shares subject to mandatory redemption	-	66
Salaries and benefits	4,158	4,077
Provision for loan and impairment losses	85	-
Occupancy, data processing, communication and other	1,913	1,449
Total expenses	<u>7,036</u>	<u>7,305</u>
Earnings from continuing operations before income taxes and minority interest	2,685	1,844
Income taxes	(139)	(84)
Earnings from continuing operations before minority interest	<u>2,546</u>	<u>1,760</u>
Minority interest	3	(26)
Earnings from continuing operations	<u>2,549</u>	<u>1,734</u>
Discontinued operations		
Earnings from operations of discontinued components	-	3,143
Income taxes	-	(28)
Earnings from discontinued operations	<u>-</u>	<u>3,115</u>
Net earnings	<u>\$ 2,549</u>	<u>\$ 4,849</u>
Basic earnings per common share are as follows:		
Earnings from continuing operations	\$ 0.23	\$ 0.15
Discontinued operations	\$ -	\$ 0.28
Net earnings per common share	\$ 0.23	\$ 0.43
Wtd. avg. common shares outstanding	11,262	11,198
Diluted earnings per common share are as follows:		
Earnings from continuing operations	\$ 0.21	\$ 0.15
Discontinued operations	\$ -	\$ 0.26
Net earnings per common share	\$ 0.21	\$ 0.41
Wtd. avg. common shares outstanding	12,002	11,792

Selected Unaudited Balance Sheet Data

	March 31,	December 31,
	2005	2004
Cash	\$ 9,067	\$ 9,724
Portfolio Assets, net	31,609	37,952
Loans receivable	21,501	21,255
Equity investments	57,825	57,815
Deferred tax asset, net	20,101	20,101
Service fees receivable and other assets	7,844	10,193
Discontinued mortgage assets held for sale	1,377	1,817
Total assets	<u>\$ 149,324</u>	<u>\$ 158,857</u>
Notes payable to affiliates	\$ 560	\$ 491
Notes payable - other	48,223	50,812
Minority interest and other liabilities	5,337	6,048
Liabilities from discontinued consumer operations	989	9,033
Liabilities from discontinued mortgage operations	40	50
Total liabilities	<u>55,149</u>	<u>66,434</u>
Total equity	94,175	92,423
Total liabilities and equit	<u>\$ 149,324</u>	<u>\$ 158,857</u>

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

	Three Months Ended March 31,	
	2005	2004
Portfolio Asset Acquisition and Resolution:		
Summary Operating Statement Data		
Revenues	\$ 9,608	\$ 8,945
Expenses	5,335	4,899
Operating contribution before provision for loan and impairment losses	4,273	4,046
Provision for loan and impairment losses	85	-
Operating contribution, net of direct taxes	\$ 4,188	\$ 4,046
Aggregate purchase price of portfolios acquired:		
Acquisition partnerships		
Domestic	\$ 12,108	\$ 6,549
Latin America	2,763	150
Europe	-	-
Total	\$ 14,871	\$ 6,699
	Purchase Price	FirstCity's Investment
Historical Acquisitions - Annual:		
2005 year to date	\$ 14,871	\$ 2,213
2004	174,139	59,762
2003	129,192	22,944
2002	171,769	16,717
2001	224,927	24,319
2000	394,927	22,140
	March 31, 2005	March 31, 2004
Portfolio acquisition and resolution assets by region:		
Domestic	\$ 69,887	\$ 44,776
Latin America	21,105	13,748
Europe	20,119	19,598
Total	\$ 111,111	\$ 78,122
	Three Months Ended March 31,	
	2005	2004
Revenues by region:		
Domestic	\$ 5,962	\$ 4,146
Latin America	2,397	2,597
Europe	1,249	2,202
Total	\$ 9,608	\$ 8,945
Revenues by source:		
Equity earnings	\$ 3,401	\$ 4,175
Servicing fees	3,172	3,032
Interest income - loans	902	523
Gain on resolution of Portfolio Assets	1,862	75
Other	271	1,140
Total	\$ 9,608	\$ 8,945

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

	Three Months Ended March 31,	
	2005	2004
Analysis of Equity Investments in Acquisition Partnerships:		
FirstCity's Average investment in Acquisition Partnerships		
Domestic	\$ 36,552	\$ 36,595
Latin America	1,518	1,015
Europe	18,874	18,459
Total	\$ 56,944	\$ 56,069
FirstCity Share of Equity Earnings:		
Domestic	\$ 2,313	\$ 1,949
Latin America	3	112
Europe	1,085	2,114
Total	\$ 3,401	\$ 4,175
Selected other data:		
Average investment in wholly owned portfolio assets and loans receivable:		
Domestic	\$ 36,315	\$ 6,490
Latin America	19,096	13,167
Europe	530	2,155
Total	\$ 55,941	\$ 21,812
Income from wholly owned portfolio assets and loans receivable:		
Domestic	\$ 2,393	\$ 196
Latin America	363	376
Europe	8	26
Total	\$ 2,764	\$ 598
Servicing fee revenues:		
Domestic partnerships:		
\$ Collected	\$ 27,434	\$ 26,353
Servicing fee revenue	1,141	1,038
Average servicing fee %	4.2%	3.9%
Latin American partnerships:		
\$ Collected	\$ 9,130	\$ 14,846
Servicing fee revenue	1,981	1,956
Average servicing fee %	21.7%	13.2%
Incentive service fees	\$ 50	\$ 38
Total Service Fees:		
\$ Collected	\$ 36,564	\$ 41,199
Servicing fee revenue	3,172	3,032
Average servicing fee %	8.7%	7.4%
Servicing portfolio (face value)		
Domestic	\$ 450,204	\$ 415,835
Latin America	1,446,059	1,007,366
Europe	867,078	811,951
Total	\$ 2,763,341	\$ 2,235,152
Number of personnel at period end:		
Domestic	65	61
Latin America	129	162
Corporate	31	30
Total personnel	225	253