

NEWS RELEASE

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FirstCity Financial Reports Third Quarter 2007 Earnings of \$2,653,989 or \$0.23 per Diluted Share

Waco, Texas November 9, 2007.....

Highlights:

Third Quarter 2007 Results

- FirstCity reported 3rd quarter 2007 earnings of \$2,653,989 or \$.23 per diluted share.
- FirstCity invested \$16.3 million in portfolio acquisitions for the 3rd quarter 2007.
- FirstCity invested \$5.9 million in the form of acquiring a majority interest in a railroad.
- FirstCity negotiated \$125.0 million in increases to its credit facilities.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	(unaudited)		(unaudited)	
Portfolio Asset Acquisition and Resolution	\$ 4,680	\$ 6,218	\$ 10,863	\$ 12,095
Corporate overhead *	(2,026)	(1,251)	(7,318)	(3,768)
Earnings from continuing operations	2,654	4,967	3,545	8,327
Loss from discontinued operations, net of taxes	—	—	—	(75)
Net earnings to common stockholders	<u>\$ 2,654</u>	<u>\$ 4,967</u>	<u>\$ 3,545</u>	<u>\$ 8,252</u>
Diluted earnings per common share	<u>\$ 0.23</u>	<u>\$ 0.42</u>	<u>\$ 0.31</u>	<u>\$ 0.69</u>

* Corporate overhead includes expenses related to the independent audit committee investigation of \$2.2 million year to date, comprised of \$1.2 million in the first quarter, \$0.8 million in the second quarter and \$0.2 million in the third quarter.

Portfolio Asset Acquisition and Resolution

The Company invested \$16.3 million in portfolio acquisitions during the quarter. Earning assets totaled \$273.6 million at quarter end. FirstCity is currently evaluating 27 different transactions representing over \$2.0 billion in face value of assets.

(more)

(2)

Portfolio purchases are detailed below (in millions):

Portfolio Purchases							
	Domestic	Europe	Latin America	Total	FirstCity Investment	FirstCity Investment in Other	Total
2007							
3 rd Quarter	\$ 17.4	\$ 2.3	\$ —	\$ 19.7	\$ 16.3	\$ 6.3	\$ 22.6
2 nd Quarter	27.4	2.4	61.6	91.4	25.2	4.2	29.4
1 st Quarter	71.6	3.8	3.4	78.8	69.5	7.8	77.3
YTD 2007	\$ 116.4	\$ 8.5	\$ 65.0	\$ 189.9	\$ 111.0	\$ 18.3	\$ 129.3
2006							
4 th Quarter	\$ 34.6	\$ 101.2	\$ 2.1	\$ 137.9	\$ 70.2	\$ 16.8	\$ 87.0
3 rd Quarter	35.4	—	56.1	91.5	31.5	3.7	35.2
2 nd Quarter	24.2	1.0	—	25.2	19.0	7.0	26.0
1 st Quarter	42.4	—	—	42.4	23.3	0.7	24.0
Total Year 2006	\$ 136.6	\$ 102.2	\$ 58.2	\$ 297.0	\$ 144.0	\$ 28.2	\$ 172.2
Total Year 2005	\$ 93.4	\$ 37.2	\$ 16.0	\$ 146.6	\$ 71.4	\$ 3.2	\$ 74.6
Total Year 2004	\$ 91.2	\$ 9.8	\$ 73.1	\$ 174.1	\$ 59.8	\$ —	\$ 59.8

For the third quarter 2007, operating contribution from the Portfolio Asset Acquisition business was \$4.7 million. The earnings were comprised primarily of \$11.5 million in revenues, \$2.2 million in equity in earnings of investments, and \$9.2 million of expenses. The business generated 72% of the revenues (including equity in earnings of investments) from domestic investments, 17% from investments in Latin America, 11% from investments in Europe and less than 1% from investments in Canada. The major components of revenue for the quarter include income from Portfolio Assets of \$5.7 million, equity in earnings of investments of \$2.2 million, servicing fees of \$2.4 million, and interest income from loans receivable of \$2.5 million.

The revenues for the third quarter were positively impacted by \$0.9 million as a result of a change in estimated future cash flows on loan portfolios. Management determined that actual cash flows related to certain loan portfolios have exceeded management's historical estimates. The increase in estimated cash flows is a result of adjusting cash flows related to certain asset-level expenses, which are accounted for as period expenses and recognized in the period incurred. Beginning with the third quarter of 2007, management is using estimated gross cash receipts net of estimated selling costs in the estimates of future cash flows, and will apply the revised cash flow estimates on a prospective basis. Third quarter earnings were also positively impacted by \$0.9 million in foreign currency exchange net gains.

The third quarter earnings were negatively impacted by provisions for loan losses, net of recoveries, of \$732,000, comprised of net provisions to loan portfolios held in our partnerships as follows: \$384,000 domestic; \$290,000 European; and \$194,000 Latin American. The difference of (\$136,000) represents net recoveries on our wholly-owned domestic portfolios.

Business Acquisition

FirstCity invested \$5.9 million in the form of a business acquisition under its special situations platform – FirstCity Crestone – which purchased a majority interest in a short line freight railroad in the Northeastern United States in the third quarter of 2007. FirstCity Crestone was formed in April 2007 for the purpose of investing in distressed debt, special loan originations, leveraged buyouts and other special opportunities. This \$5.9 million business acquisition is FirstCity Crestone's largest investment to date.

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The following tables detail the impact of net foreign currency gains (losses) on corporate earnings:

Illustration of the Effects of Currency Fluctuations (dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(unaudited)		(unaudited)	
Net earnings to Common Stockholders as reported	\$ 2,654	\$ 4,967	\$ 3,545	\$ 8,252
Euro gains	1,231	123	785	781
Mexican Peso gains (losses)	(349)	843	(190)	(311)
Argentine Peso losses	(22)	(15)	(24)	(59)
Canadian Dollar gains (losses)	23	(6)	243	(6)
Chilean Peso gains	5	—	28	—
Euro exchange rate at valuation date	0.70	0.79		
Mexican Peso exchange rate at valuation date	10.92	11.02		
Argentine Peso exchange rate at valuation date	3.15	3.11		
Canadian Dollar exchange rate at valuation date	0.99	1.11		
Chilean Peso exchange rate at valuation date	511.20	n/a		

Other Corporate Matters

Share Repurchase Program

FirstCity has a repurchase program for shares of its common stock. Since the program was initiated, the Company has purchased 540,100 shares at an average cost of \$10.47 per share. 9,800 shares were repurchased during the third quarter of 2007. Share repurchases may be made from time to time when and if management feels the repurchase of such shares represent the optimum use of FirstCity's resources.

Liquidity

On August 22, 2007, FirstCity and Bank of Scotland entered into an amendment to the existing revolving credit facility to increase the maximum available commitment under the credit facility from \$175.0 million to \$225.0 million. FirstCity uses this revolving credit agreement to finance equity investments made in connection with portfolio and asset purchases, to provide for the issuance of letters of credit, and for working capital loans. As of November 6, 2007, \$138.9 million of loans and letters of credit are outstanding under this facility.

On August 22, 2007, FH Partners, a wholly-owned affiliate of FirstCity, and Bank of Scotland entered into an amendment to the existing revolving credit facility to increase the maximum available commitment under the credit facility from \$50.0 million to \$100.0 million. FH Partners uses this revolving credit agreement to finance its portfolio and asset purchases. As of November 6, 2007, \$42.0 million is outstanding under the facility.

On September 5, 2007, FirstCity and BoS (USA), Inc., an affiliate of Bank of Scotland, entered into a subordinated credit agreement which provides a \$25.0 million loan facility to FirstCity to be used to finance equity investments in new ventures, equity investments made in connection with portfolio and asset purchases, provide for the issuance of letters of credit, and for working capital loans. The subordinated credit agreement is to be effective November 16, 2007, provided that certain consents of third parties and information required under the credit agreement are delivered by FirstCity.

Current market conditions are creating liquidity constraints primarily as a result of the deterioration in the sub-prime mortgage industry and tightening credit standards in the marketplace. Management believes that these conditions have not impacted the Company's ability to obtain financing for its operations, nor hindered its ability to continue to grow its business.

This is evidenced by the recent increases in the Bank of Scotland credit facilities and continued acquisitions during the third quarter of 2007. Management believes that the prospects for continued growth are strong based on existing acquisition opportunities and the potential to acquire additional distressed assets as a result of market conditions.

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Conference Call

A conference call will be held on **Friday, November 9, 2007 at 9:00 a.m. Central Time** to discuss third quarter 2007 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 Third Quarter 2007 Conference Call
Date: Friday, November 9, 2007
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.fcfc.com/invest.htm or,
CCBN's Investor websites- www.streetevents.com and,
www.fulldisclosure.com

Dial In Access: Domestic 866-700-7101
International 617-213-8837

Pass code 13943849

Replay Available on FirstCity's web page (www.fcfc.com/invest.htm)

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, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, without limitation, statements based on management's expectations and statements regarding revenues, earnings guidance and future projected cash collections, as well as any statement that may project, indicate or imply future results, performance or achievements, and may contain the "expect," "intend," "plan," "estimate," "believe," "will be," "will continue," "will likely result," "indication" 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.

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 start up of new businesses and entry into new foreign markets, 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, ability to obtain additional financing from the Bank of Scotland or any other lender, 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," and risk factors and other risks identified in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, filed with the SEC on July 24, 2007, 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.

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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 Europe and Latin America. Its common stock is listed on the NASDAQ Stock Market, LLC under the symbol "FCFC."

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues:				
Servicing fees	\$ 2,426	\$ 4,679	\$ 8,008	\$ 10,182
Income from Portfolio Assets	5,743	2,547	16,463	7,551
Gain on sale of SBA loans held for sale, net	34	—	658	—
Interest income from SBA loans	752	—	1,666	—
Interest income from affiliates	147	294	413	1,189
Interest income from loans receivable - other	1,627	17	3,516	17
Other income	903	654	1,900	1,846
Total revenues	<u>11,632</u>	<u>8,191</u>	<u>32,624</u>	<u>20,785</u>
Expenses:				
Interest and fees on notes payable - other	4,747	1,797	13,666	5,433
Interest and fees on notes payable to affiliates	—	2	—	22
Salaries and benefits	4,446	4,094	12,303	11,110
Provision (recovery) for loan and impairment losses	(136)	50	936	101
Occupancy, data processing, communication and other	2,238	2,688	10,469	6,165
Total expenses	<u>11,295</u>	<u>8,631</u>	<u>37,374</u>	<u>22,831</u>
Equity in earnings of investments	2,157	3,023	8,315	8,044
Gain on sale of subsidiaries and equity investments	207	2,378	207	2,405
Earnings from continuing operations before income taxes and minority interest	2,701	4,961	3,772	8,403
Income taxes	(134)	4	(437)	(140)
Minority interest	87	2	210	64
Earnings from continuing operations	<u>2,654</u>	<u>4,967</u>	<u>3,545</u>	<u>8,327</u>
Discontinued operations				
Loss from operations of discontinued components	—	—	—	(75)
Income taxes	—	—	—	—
Loss from discontinued operations	—	—	—	(75)
Net earnings	<u>\$ 2,654</u>	<u>\$ 4,967</u>	<u>\$ 3,545</u>	<u>\$ 8,252</u>
Basic earnings per common share are as follows:				
Earnings from continuing operations	\$ 0.25	\$ 0.45	\$ 0.33	\$ 0.74
Discontinued operations	\$ —	\$ —	\$ —	\$ (0.01)
Net earnings per common share	\$ 0.25	\$ 0.45	\$ 0.33	\$ 0.73
Wtd. avg. common shares outstanding	10,790	11,104	10,789	11,239
Diluted earnings per common share are as follows:				
Earnings from continuing operations	\$ 0.23	\$ 0.42	\$ 0.31	\$ 0.70
Discontinued operations	\$ —	\$ —	\$ —	\$ (0.01)
Net earnings per common share	\$ 0.23	\$ 0.42	\$ 0.31	\$ 0.69
Wtd. avg. common shares outstanding	11,379	11,711	11,402	11,875

Selected Unaudited Balance Sheet Data

	September 30, 2007	December 31, 2006
Cash	\$ 32,909	\$ 18,472
Earning Assets:		
Portfolio Assets, net	124,850	108,696
Loans and interest receivable	48,537	29,311
Equity investments	93,258	112,357
Railroad assets	6,922	—
Deferred tax asset, net	20,101	20,101
Service fees receivable and other assets	12,939	8,726
Total assets	<u>\$ 339,516</u>	<u>\$ 297,663</u>
Notes payable - other	\$ 222,529	\$ 187,811
Minority interest and other liabilities	9,493	5,959
Total liabilities	232,022	193,770
Total equity	107,494	103,893
Total liabilities and equity	<u>\$ 339,516</u>	<u>\$ 297,663</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Portfolio Asset Acquisition and Resolution:				
Summary Operating Statement Data				
Revenues	\$ 11,492	\$ 7,818	\$ 32,272	\$ 20,052
Equity in earnings of investments	2,157	3,023	8,315	8,044
Gain on sale of subsidiaries and equity investments	207	2,378	207	2,405
Expenses	(9,312)	(6,951)	(28,995)	(18,305)
Operating contribution before provision for loan and impairment losses	4,544	6,268	11,799	12,196
Provision (recovery) for loan and impairment losses	(136)	50	936	101
Operating contribution, net of direct taxes	<u>\$ 4,680</u>	<u>\$ 6,218</u>	<u>\$ 10,863</u>	<u>\$ 12,095</u>

Aggregate purchase price of portfolios acquired:

Acquisition partnerships				
Domestic	\$ 17,338	\$ 35,416	\$ 116,370	\$ 101,943
Latin America	—	56,104	64,959	56,104
Europe	2,327	—	8,538	1,026
Total	<u>\$ 19,665</u>	<u>\$ 91,520</u>	<u>\$ 189,867</u>	<u>\$ 159,073</u>

Historical Acquisitions - Annual:

	Purchase Price	FirstCity's Investment
Nine months ended September 30, 2007	\$ 189,867	\$ 111,018
2006	296,990	144,048
2005	146,581	71,405
2004	174,139	59,762
2003	129,192	22,944

Portfolio acquisition and resolution assets by region:

	September 30, 2007	December 31, 2006
Domestic	\$ 202,622	\$ 158,147
Latin America	32,750	28,883
Europe	37,816	61,062
Canada	379	2,272
Total	<u>\$ 273,567</u>	<u>\$ 250,364</u>

Revenues and equity in earnings of investments by region:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Domestic	\$ 9,869	\$ 4,953	\$ 26,218	\$ 16,344
Latin America	2,303	4,761	8,528	7,902
Europe	1,462	1,110	5,667	3,833
Canada	15	17	174	17
Total	<u>\$ 13,649</u>	<u>\$ 10,841</u>	<u>\$ 40,587</u>	<u>\$ 28,096</u>

Revenues and equity in earnings of investments by source:

Equity earnings	\$ 2,157	\$ 3,023	\$ 8,315	\$ 8,044
Income from Portfolio Assets	5,743	2,547	16,463	7,551
Servicing fees	2,426	4,679	8,008	10,182
Gain on sale of SBA loans held for sale, net	34	—	658	—
Interest income from SBA loans	752	—	1,666	—
Interest income from affiliates	147	294	413	1,189
Interest income from loans receivable - other	1,627	17	3,516	17
Other	763	281	1,548	1,113
Total	<u>\$ 13,649</u>	<u>\$ 10,841</u>	<u>\$ 40,587</u>	<u>\$ 28,096</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Analysis of Equity Investments				
FirstCity's Average investment				
Domestic	\$ 36,114	\$ 38,993	\$ 35,207	\$ 47,792
Latin America	21,980	16,739	20,670	8,431
Europe	39,398	18,635	43,587	19,123
Europe-Servicing subsidiaries	5,923	5,570	5,869	5,538
Latin America-Servicing subsidiaries	4,578	162	3,315	205
Total	<u>\$ 107,993</u>	<u>\$ 80,099</u>	<u>\$ 108,648</u>	<u>\$ 81,089</u>
FirstCity Share of Equity Earnings:				
Domestic	\$ 1,064	\$ 1,282	\$ 2,428	\$ 5,136
Latin America	(62)	815	815	(316)
Europe	1,082	895	4,295	2,991
Europe-Servicing subsidiaries	168	67	731	433
Latin America-Servicing subsidiaries	(95)	(36)	46	(200)
Total	<u>\$ 2,157</u>	<u>\$ 3,023</u>	<u>\$ 8,315</u>	<u>\$ 8,044</u>
Selected other data:				
Average investment in wholly owned portfolio assets and loans receivable:				
Domestic	\$ 158,039	\$ 64,192	\$ 151,906	\$ 56,172
Latin America	7,335	6,519	8,327	12,774
Europe	4,328	2,645	3,976	2,158
Canada	351	573	1,522	229
Total	<u>\$ 170,053</u>	<u>\$ 73,929</u>	<u>\$ 165,731</u>	<u>\$ 71,333</u>
Income from wholly owned portfolio assets and loans receivable:				
Domestic	\$ 7,723	\$ 2,640	\$ 20,766	\$ 7,797
Latin America	465	155	1,511	834
Europe	100	46	265	109
Canada	15	17	174	17
Total	<u>\$ 8,303</u>	<u>\$ 2,858</u>	<u>\$ 22,716</u>	<u>\$ 8,757</u>
Servicing fee revenues:				
Domestic partnerships:				
Servicing fee revenue	\$ 435	\$ 825	\$ 2,114	\$ 2,798
Average servicing fee %	3.1%	3.0%	3.7%	2.9%
Latin American partnerships:				
Servicing fee revenue	\$ 1,874	\$ 1,883	\$ 5,741	\$ 5,243
Average servicing fee %	11.8%	6.6%	13.3%	9.1%
Incentive service fees	\$ —	\$ 1,971	\$ —	\$ 2,141
Total Service Fees-Portfolio Assets:				
Servicing fee revenue	\$ 2,309	\$ 4,679	\$ 7,855	\$ 10,182
Average servicing fee %	7.7%	8.3%	7.9%	6.7%
Service Fees-SBA loans:				
	\$ 117	\$ —	\$ 153	\$ —
Total Service Fees	\$ 2,426	\$ 4,679	\$ 8,008	\$ 10,182
Collections:				
Domestic	\$ 14,190	\$ 27,898	\$ 56,674	\$ 95,007
Latin America	15,934	28,574	43,193	57,778
Europe	22,254	11,049	70,093	40,164
Subtotal	<u>52,378</u>	<u>67,521</u>	<u>169,960</u>	<u>192,949</u>
Wholly-owned	19,733	8,823	60,817	30,970
Total	<u>\$ 72,111</u>	<u>\$ 76,344</u>	<u>\$ 230,777</u>	<u>\$ 223,919</u>
Servicing portfolio (face value)				
Domestic	\$ 601,119	\$ 541,116		
Latin America	1,129,681	1,634,816		
Europe	1,065,638	824,031		
Total	<u>\$ 2,796,438</u>	<u>\$ 2,999,963</u>		
Number of personnel at period end:				
Domestic	84	58		
Latin America	116	118		
Corporate	35	32		
Total personnel	<u>235</u>	<u>208</u>		

FirstCity Financial Corporation
Schedule of Unrealized Gross Profit
9/30/2007
Unaudited

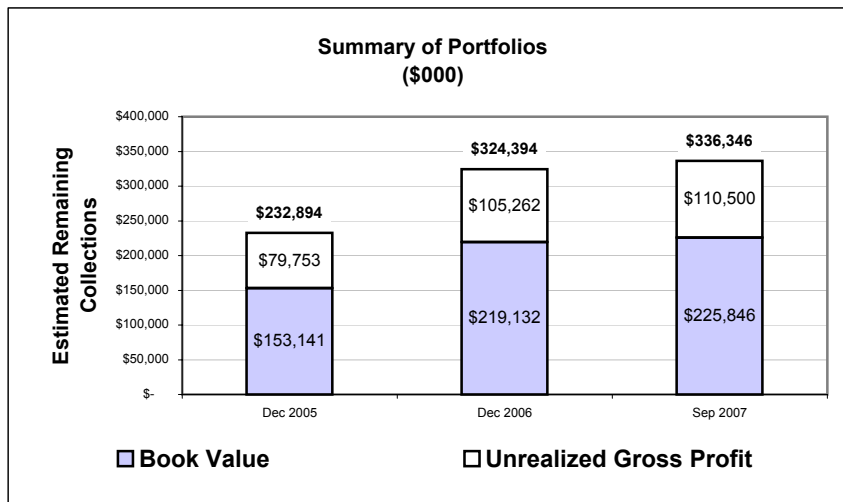
(\$ in 000's)

	Book Value of Portfolio Assets(1)		
	12/31/2005	12/31/2006	09/30/2007
Domestic	\$ 115,080	153,118	163,735
Europe	19,112	46,204	36,094
Latin America	18,949	19,810	26,017
Total	\$ 153,141	219,132	225,846

	Estimated Remaining Collections(2)		
	12/31/2005	12/31/2006	09/30/2007
Domestic	\$ 170,153	215,987	231,378
Europe	28,185	61,081	47,725
Latin America	34,556	47,326	57,243
Total	\$ 232,894	324,394	336,346

	Unrealized Gross Profit(3)		
	12/31/2005	12/31/2006	09/30/2007
Domestic	\$ 55,073	62,869	67,643
Europe	9,073	14,877	11,631
Latin America	15,607	27,516	31,226
Total	\$ 79,753	105,262	110,500

	Gross Profit %		
	12/31/2005	12/31/2006	09/30/2007
Domestic	32.37%	29.11%	29.23%
Europe	32.19%	24.36%	24.37%
Latin America	45.16%	58.14%	54.55%
Total	34.24%	32.45%	32.85%



This schedule represents statistical information related to the company's ownership in portfolio assets and is provided for informational purposes to give an indication of the future Unrealized Gross Profit attributable to those pools. These are estimates and will change each period based upon review and judgement of management and individual facts and circumstances surrounding each asset in the portfolios.

(1) Book Value of Portfolio Assets represents FirstCity's share of the unamortized purchase price of the portfolios held by the various acquisition entities that acquired the portfolio. Some of these portfolios are consolidated portfolios and some are held through equity investments in partnership or similar arrangements.

(2) Estimated Remaining Collections represent the sum of all future projected cash receipts expected from the portfolios net of certain asset level expenses. These cash flows are undiscounted.

(3) Unrealized Gross Profit represents the excess difference between the Estimated Remaining Collections and the Book Value of Portfolio Assets.

FirstCity Financial Corporation
Example of a portfolio accounted for under SOP 03-3
To illustrate income recognition

Example assumptions (\$ in 000's)								
Purchase price of portfolio is	\$		10,000					
Life of portfolio			5yrs					
Original yield on portfolio			17%					
Estimated original collections	\$		16,000					
Scenario 1 - Cash flows of portfolio stay equal to original projection								
	Purchased Yield (Initial accrual rate)	Cost of Portfolio	Year 1	Year 2	Year 3	Year 4	Year 5	Life to date
Original	17%	(10,000)	3,000	3,000	3,000	3,000	4,000	16,000
Net income statement impact - Interest Income recorded			1,723	1,503	1,245	942	588	6,000
Remaining portfolio cost at year end			8,723	7,225	5,470	3,412	0	
Scenario 2 - Cash flows in total the same push into future periods in year 3 causes impairment								
Original	17%	(10,000)	3,000	3,000	3,000	3,000	4,000	16,000
Revised cash flows yr 3-5					2,000	3,500	4,500	16,000
Revised NPV at end of yr 2 at 17%				7,046				
Book Value before impairment				7,225				
Impairment recognized				(179)				
Interest Income recognized each year			1,723	1,503	1,214	1,078	661	
Impairment recognized				(179)				
Net income statement impact			1,723	1,324	1,214	1,078	661	6,000
Remaining portfolio cost at year end			8,723	7,046	6,260	3,839	-	
Scenario 3 - Cash flows increase in year 4 & 5 results in recovery of impairment and higher accrual of interest								
Original	17%	(10,000)	3,000	3,000	2,000	3,500	4,500	16,000
Revised cash flows yr 4-5						3,750	5,000	16,750
New accrual rate for periods 4 & 5						21.93%		
Revised NPV at end of yr 3 at 17%					6,837			
Book Value before recovery					6,260			
NPV improvement sufficient to recover previous provision					577			
Interest Income recognized each year			1,723	1,503	1,214	1,412	899	
Impairment recovered				(179)	179			
Net income statement impact			1,723	1,324	1,393	1,412	899	6,750
Remaining portfolio cost at year end			8,723	7,046	6,439	4,101	(0)	