

NEWS RELEASE



contact: Suzy W. Taylor
(866) 652-1810

FirstCity Financial Announces Fourth Quarter 2002 Results

Waco, Texas February 18, 2003... FirstCity Financial Corporation (Nasdaq FCFC) today announced earnings from continuing operations for the quarter ended December 31, 2002 of \$3.2 million, or \$.36 per share. Net earnings to common shareholders were \$1.1 million, or \$.13 per share on a diluted basis, after subtracting \$2.0 million for a provision for impairment in the discontinued mortgage operations, and accrued and unpaid dividends of \$552,000 on the Company's preferred stock. Earnings for the consumer business included recognition of a \$4 million deferred gain resulting from the release of the Company's guaranty of Drive debt in connection with the recapitalization as discussed below.

Components of the results for the three months and year ended December 31, 2002 and 2001, respectively, are detailed below:

(\$ Thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
Portfolio Asset Acquisition and Resolution	\$ 2,114	\$ 483	\$ 11,214	\$ 7,713
Consumer	3,950	2,220	3,544	4,752
Corporate interest	(1,250)	(904)	(3,858)	(4,649)
Corporate overhead	(1,102)	(1,512)	(4,957)	(5,341)
Cumulative effect of accounting change	-	-	-	(304)
Earnings from continuing operations	3,712	287	5,943	2,171
Accrued preferred dividends	(552)	(642)	(2,478)	(2,568)
Loss from discontinued operations	(2,014)	(2,200)	(9,714)	(5,200)
Net earnings (loss) to common shareholders	\$ 1,146	\$ (2,555)	\$ (6,249)	\$ (5,597)

Portfolio Asset Acquisition

The Company purchased eight portfolios during the quarter, seven domestic portfolios totaling \$36 million and one \$15 million portfolio in France. The Company invested equity of \$4.3 million in the domestic portfolios and \$.75 million in the French portfolio. A summary of acquisitions for the year follows:

\$ millions	Domestic	France	Mexico	Italy	Total	Invested Equity
1 st Quarter	\$ 12.8	\$ -	\$ 11.7	\$ -	\$ 24.5	\$ 5.4
2 nd Quarter	7.7	27.5	-	16.9	52.1	3.7
3 rd Quarter	5.0	39.2	-	-	44.2	2.6
4 th Quarter	35.9	15.1	-	-	51.0	5.0
Total Year	\$ 61.4	\$ 81.8	\$ 11.7	\$ 16.9	\$ 171.8	\$ 16.7

Operating contribution for the quarter was \$2.1 million, comprised of \$7.1 million in revenues, net of \$5.0 million of expenses. The business generated 58% of the revenues from domestic investments, 32% from investments in Mexico and 10% from investments in France and Italy. The major components of revenue for the quarter include servicing fees of \$3.0 million, equity earnings in Acquisition Partnerships and servicing entities of \$2.0 million and interest income of \$1.2 million.

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Consumer

FirstCity recognized a \$4 million deferred gain in the fourth quarter as a result of the release of FirstCity's guaranty of a \$60 million loan to Drive by BOS(USA). The guaranty was released in connection with the closing of the Company's recapitalization in December.

FirstCity owns a 31% Interest in Drive Financial Services L.P., a subprime auto lending company. Drive acquired \$101 million of receivables during the quarter, bringing acquisitions for the total year to \$416 million. Defaults, losses and delinquencies were 20.14%, 10.26% and 7.25%, respectively, at the end of the quarter, compared to 18.05%, 8.91% and 8.43%, respectively, for the same period last year. The year 2002 was a transition year as the board of directors of Drive elected not to use gain on sale treatment when assets were securitized. Instead, Drive pursued a strategy to grow the balance sheet and record interest income from loans and interest expense on the related debt as incurred to build an earnings stream over time. This change in focus resulted in FirstCity recording a loss from the equity interest in Drive of \$425,000 for the year. Drive's 2002 quarterly earnings (loss) trend, excluding provisions related to residual assets is detailed in the table below:

<u>\$ Thousands</u>	Loan Inventory	Total Assets	Income (loss) before provisions on residual assets	Provisions on residual assets	Net Income (Loss)	FirstCity's 31% share
1st Quarter 2002	\$ 159,052	\$ 254,647	\$ (3,470)	\$ -	\$ (3,470)	\$ (1,076)
2nd Quarter 2002	238,096	341,882	1,281	-	1,281	398
3rd Quarter 2002	310,540	416,295	1,025	(112)	913	282
4th Quarter 2002	368,379	472,553	3,207	(3,303)	(96)	(29)
YTD 2002			\$ 2,043	\$ (3,415)	\$ (1,372)	\$ (425)

As the table shows, the trend of income (loss) before provisions for residual assets reflects the positive effects of growing the balance sheet in the last three quarters of the year. The provision on the residual assets taken in the fourth quarter, is a result of changes in assumptions to reflect current economic conditions.

Discontinued Operations

Discontinued Operations reflect additional provisions of \$2 million for the 4th quarter, which are a result of increases in prepayment speeds and an increase in the Company's loss assumptions related to the residual interests.

As of December 31, 2002, the anticipated net realizable value of the Company's investment in discontinued operations is \$7.8 million, which is net of reserves of \$1 million.

Corporate Matters

During the 4th quarter, FirstCity completed a recapitalization of the Company. The recapitalization:

- provides additional financing to FirstCity, enhances the Company's liquidity and will permit it to pursue the acquisition of additional Portfolio Assets, which will give FirstCity the opportunity to increase investment and servicing income in the future.
- enhanced FirstCity's financial position through the refinancing of FirstCity's debt facilities with BoS(USA) and Bank of Scotland,
- increased the equity of FirstCity through the substantial reduction of the number of outstanding shares of New Preferred Stock, including accrued dividends from FirstCity's financial statements and the release of FirstCity's guaranty of Drive's indebtedness to BoS(USA),

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- resulted in the release by BoS(USA) of its option to acquire a warrant to purchase 1,975,000 shares of non-voting Common Stock,
- substantially reduced the aggregate amount of FirstCity's obligation to redeem the New Preferred Stock at maturity and permitted existing holders of the New Preferred Stock the opportunity to participate in the future growth of FirstCity through ownership of Common Stock,
- aligned the interests of the management of FirstCity Holdings more closely with those of the holders of Common Stock of FirstCity and permitted FirstCity to retain all of the returns associated with FirstCity Holdings, and
- preserved the net operating loss carryforwards of FirstCity.

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 FirstCity's actual results to differ materially from those indicated in the forward-looking statements.

These factors include, but are not limited to, the performance of FirstCity'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; 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, risks of declining value of loans, collateral or assets, the ability of FirstCity to utilize net operating loss carryforwards, uncertainties of any litigation arising from discontinued operations, 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; 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.

(Tables follow)

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

	<u>Three Months Ended</u> <u>December 31,</u>		<u>Year Ended</u> <u>December 31,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenues:				
Servicing fees from affiliates	\$ 3,010	\$ 1,734	\$ 12,665	\$ 9,580
Gain on resolution of Portfolio Assets	213	174	1,138	1,049
Equity in earnings of investments	1,989	4,727	8,680	16,694
Interest income from affiliates	986	1,155	4,060	3,993
Interest income - other	238	338	1,068	1,892
Gain on sale of interest in equity investments	-	-	1,779	3,316
Gain on sale of interest in Drive	4,000	-	4,000	-
Other income	888	790	2,598	1,887
Total revenues	<u>11,324</u>	<u>8,918</u>	<u>35,988</u>	<u>38,411</u>
Expenses:				
Interest and fees on notes payable to affiliates	2,017	1,595	6,456	7,838
Interest and fees on notes payable - other	65	148	366	939
Salaries and benefits	2,904	3,150	12,609	10,606
Provision for loan and impairment losses	17	149	295	3,277
Occupancy, data processing, communication and other	2,373	2,951	8,962	11,200
Total expenses	<u>7,376</u>	<u>7,993</u>	<u>28,688</u>	<u>33,860</u>
Earnings from continuing operations before income taxes and minority interest	3,948	925	7,300	4,551
Benefit (provision) for income taxes	(118)	4	(153)	(15)
Earnings from continuing operations before minority interest	<u>3,830</u>	<u>929</u>	<u>7,147</u>	<u>4,536</u>
Minority interest	(118)	(642)	(1,204)	(2,061)
Cumulative effect of accounting change	-	-	-	(304)
Earnings from continuing operations	<u>3,712</u>	<u>287</u>	<u>5,943</u>	<u>2,171</u>
Loss from discontinued operations	(2,014)	(2,200)	(9,714)	(5,200)
Net earnings (loss)	<u>1,698</u>	<u>(1,913)</u>	<u>(3,771)</u>	<u>(3,029)</u>
Accumulated preferred dividends in arrears	(552)	(642)	(2,478)	(2,568)
Net earnings (loss) to common shareholders	<u>\$ 1,146</u>	<u>\$ (2,555)</u>	<u>\$ (6,249)</u>	<u>\$ (5,597)</u>
Basic and diluted earnings (loss) per common share are as follows:				
Earnings (loss) from continuing operations	\$ 0.36	\$ (0.05)	\$ 0.40	\$ (0.01)
Accounting change	-	-	-	(0.04)
Discontinued operations	(0.23)	(0.26)	(1.14)	(0.62)
Net earnings (loss) per common share	\$ 0.13	\$ (0.31)	\$ (0.74)	\$ (0.67)
Wtd. avg. common shares outstanding	8,866	8,376	8,500	8,374

Selected Unaudited Balance Sheet Data

	<u>December 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
	Cash	\$ 4,118
Portfolio acquisition and resolution assets	77,744	79,335
Consumer assets	9,127	10,205
Deferred tax asset	20,101	20,101
Net assets of discontinued operations	7,764	16,657
Total assets	126,456	138,893
Notes payable to affiliates	95,560	83,957
Notes payable other	1,113	7,252
Preferred stock	3,705	32,101
Total common shareholders' equity	18,752	3,877

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

	Three Months Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
Summary Operating Statement Data for Each Business				
Portfolio Asset Acquisition and Resolution:				
Revenues	\$ 7,069	\$ 6,074	\$ 32,101	\$ 32,399
Expenses	4,938	5,442	20,592	21,409
Operating contribution before provision for loan and impairment losses	2,131	632	11,509	10,990
Provision for loan and impairment losses	17	149	295	3,277
Operating contribution, net of direct taxes	<u>\$ 2,114</u>	<u>\$ 483</u>	<u>\$ 11,214</u>	<u>\$ 7,713</u>
Consumer Lending:				
Revenues, net of equity in loss of investment	\$ 3,964	\$ 2,799	\$ 3,469	\$ 5,937
Expenses, net of minority interest	(14)	(579)	75	(1,185)
Cumulative effect of accounting change	-	-	-	(304)
Operating contribution, net of direct taxes	<u>\$ 3,950</u>	<u>\$ 2,220</u>	<u>\$ 3,544</u>	<u>\$ 4,448</u>
Portfolio Asset Acquisition and Resolution:				
Overview				
Aggregate purchase price of portfolios acquired:				
Acquisition partnerships				
Domestic	\$ 35,864	\$ 22,599	\$ 61,386	\$ 111,824
Mexico	-	-	11,709	82,060
France	15,066	29,430	81,731	31,043
Italy	-	-	16,943	-
Total	<u>\$ 50,930</u>	<u>\$ 52,029</u>	<u>\$ 171,769</u>	<u>\$ 224,927</u>
Historical Acquisitions - Annual:				
	Purchase Price	FirstCity's Investment		
2002	\$ 171,769	\$ 16,717		
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:				
	December 31, 2002	December 31, 2001		
Domestic	\$ 44,610	\$ 48,202		
Mexico	17,542	19,766		
France and Italy	15,592	11,367		
Total	<u>\$ 77,744</u>	<u>\$ 79,335</u>		
Revenues by region:				
Domestic	\$ 4,122	\$ 3,009	\$ 19,444	\$ 18,978
Mexico	2,239	2,420	7,985	9,460
France and Italy	689	645	4,646	3,941
Other foreign	19	-	26	20
Total	<u>\$ 7,069</u>	<u>\$ 6,074</u>	<u>\$ 32,101</u>	<u>\$ 32,399</u>
Revenues by source:				
Equity earnings	\$ 2,026	\$ 1,935	\$ 9,212	\$ 10,771
Servicing fees	3,010	1,734	12,665	9,580
Interest income - loans	1,183	1,453	4,980	5,627
Gain on sale of interest in equity investment	-	-	1,779	3,316
Gain on resolution of Portfolio Assets	213	174	1,138	1,049
Other	637	778	2,327	2,056
Total	<u>\$ 7,069</u>	<u>\$ 6,074</u>	<u>\$ 32,101</u>	<u>\$ 32,399</u>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
Analysis of Equity Investments in Acquisition Partnerships:				
FirstCity's Average investment in Acquisition Partnerships				
Domestic	\$ 31,600	\$ 31,121	\$ 32,592	\$ 29,883
Mexico	1,065	1,261	1,155	1,288
France	10,724	7,398	9,419	7,285
France-Servicing subsidiaries	3,079	2,139	2,689	1,917
Total	<u>\$ 46,468</u>	<u>\$ 41,919</u>	<u>\$ 45,855</u>	<u>\$ 40,373</u>
FirstCity Share of Equity Earnings (Loss):				
Domestic	\$ 2,171	\$ 1,493	\$ 9,983	\$ 8,161
Mexico	(767)	(158)	(3,493)	(1,153)
France	519	568	1,928	2,734
France-Servicing subsidiaries	103	32	794	1,029
Total	<u>\$ 2,026</u>	<u>\$ 1,935</u>	<u>\$ 9,212</u>	<u>\$ 10,771</u>
Selected other data:				
Average investment in wholly owned portfolio assets and loans receivable:				
Domestic	\$ 11,524	\$ 20,924	\$ 13,068	\$ 24,835
Mexico	17,076	18,223	18,534	17,019
Total	<u>\$ 28,600</u>	<u>\$ 39,147</u>	<u>\$ 31,602</u>	<u>\$ 41,854</u>
Income from wholly owned portfolio assets and loans receivable:				
Domestic	\$ 439	\$ 505	\$ 2,208	\$ 2,856
Mexico	957	1,122	3,910	3,820
Total	<u>\$ 1,396</u>	<u>\$ 1,627</u>	<u>\$ 6,118</u>	<u>\$ 6,676</u>
Servicing fee revenues:				
Domestic partnerships:				
\$ Collected	\$ 25,218	\$ 32,291	\$ 188,081	\$ 126,591
Servicing fee revenue	1,069	656	5,469	3,207
Average servicing fee %	4.2%	2.0%	2.9%	2.5%
Mexico partnerships:				
\$ Collected	\$ 16,058	\$ 46,195	\$ 85,303	\$ 147,540
Servicing fee revenue	1,815	1,078	6,592	5,965
Average servicing fee %	11.3%	2.3%	7.7%	4.0%
Incentive service fees	\$ 126	\$ -	\$ 604	\$ 408
Total Service Fees:				
\$ Collected	\$ 41,276	\$ 78,486	\$ 273,384	\$ 274,131
Servicing fee revenue	3,010	1,734	12,665	9,580
Average servicing fee %	7.3%	2.2%	4.6%	3.5%
Servicing portfolio (face value)				
Domestic	\$ 431,106	\$ 459,701		
Mexico	1,233,468	1,517,414		
France and Italy	814,083	484,304		
Total	<u>\$ 2,478,657</u>	<u>\$ 2,461,419</u>		
Number of personnel at period end:				
Production	25	23		
Servicing				
Domestic	58	53		
Mexico	129	74		
Total personnel	<u>212</u>	<u>150</u>		

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

	<u>Three Months Ended</u> <u>December 31,</u>		<u>Year Ended</u> <u>December 31,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Consumer Lending:				
Retail installment contracts acquired ⁽¹⁾	\$ 101,102	\$ 82,129	\$ 415,713	\$ 412,760
Origination characteristics:				
Face value to wholesale value	100.38%	101.33%	99.85%	100.10%
Weighted average coupon	21.00%	20.80%	21.02%	20.65%
Purchase discount (% of face value)	15.95%	15.35%	15.54%	15.19%
Servicing portfolio (face value in \$)	683,272	555,179		
Defaults (% of original balance at time of default)	20.14%	18.05%		
Net loss on defaults after recovery	10.26%	8.91%		
Delinquencies (% of total serviced portfolio)	7.25%	8.43%		
Equity in earnings (loss) of Drive	\$ (37)	\$ 2,792	\$ (532)	\$ 5,923
Cumulative effect of accounting change	-	-	-	(304)
Minority interest	8	(559)	107	(1,124)
Net equity in earnings (loss) of Drive	<u>\$ (29)</u>	<u>\$ 2,233</u>	<u>\$ (425)</u>	<u>\$ 4,495</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).