
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED):
August 14, 2003

FIRSTCITY FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

033-19694
(Commission File No.)

76-0243729
(IRS Employer Identification No.)

6400 Imperial Drive
Waco, Texas 76712
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(254) 751-1750**

Item 7. Financial Statements, Pro-forma Financial Information and Exhibits.

(c) Exhibits

99.1 Text of press release of FirstCity Financial Corporation issued on August 14, 2003.

Item 12. Results of Operations and Financial Condition.

(a) On August 14, 2003, FirstCity Financial Corporation (“FirstCity” or the “Company”) issued a press release announcing its financial results for the quarter ended June 30, 2003 and certain other information. A copy of this press release is attached hereto as Exhibit 99.1 and is being furnished, not filed, under Item 12, Results of Operations and Financial Condition, to this Report on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FirstCity Financial Corporation

Date: August 14, 2003

By: /S/ J. Bryan Baker

J. Bryan Baker
Senior Vice President, and
Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1 -	Text of press release of FirstCity Financial Corporation issued on August 14, 2003.

NEWS RELEASE



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

FirstCity Financial Announces Second Quarter 2003 Results

Waco, Texas August 14, 2003... FirstCity Financial Corporation (Nasdaq FCFC) today announced earnings from continuing operations for the quarter ended June 30, 2003 of \$4,237,000. Earnings to common shareholders were \$3,750,000 or \$.33 per share on a diluted basis, after subtracting \$67,000 in accrued and unpaid dividends on the Company's preferred stock.

Components of the profits for the second quarter and six months ended June 30, 2003 and 2002 are detailed below:

(\$ thousands)	(Unaudited)			
	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2003	2002	2003	2002
Portfolio Acquisition and Resolution	\$ 4,636	\$ 5,982	\$ 6,413	\$ 8,313
Consumer	2,052	395	2,627	(686)
Corporate interest	(1,188)	(847)	(2,360)	(1,669)
Corporate overhead	(1,263)	(1,328)	(2,462)	(2,590)
Earnings from continuing operations	4,237	4,202	4,218	3,368
Loss from discontinued operations	(420)	(1,500)	(420)	(2,000)
Accrued preferred dividends	(67)	(642)	(133)	(1,284)
Net earnings to common stockholders	\$ 3,750	\$ 2,060	\$ 3,665	\$ 84

Portfolio Asset Acquisition

Operating contribution for the quarter was \$4.6 million, and includes an additional \$.8 million of profits representing the Company's share of a \$1.7 million gain recorded in several domestic acquisition partnerships that completed a bulk loan sale of performing and non-performing assets with a carrying value of \$8.3 million for proceeds of \$10 million. As a result of the sale, the Company also recorded additional servicing fees of \$.3 million. The operating contribution was also positively impacted by \$1.3 million in foreign currency gains related to the Mexican peso (\$1.1 million), and the Euro (\$143,000). Profit contribution of this business was comprised of \$9.8 million in revenues, net of \$5.2 million of expenses. The major components of revenue for the quarter include equity earnings in Acquisition Partnerships of \$4.2 million, servicing fees of \$4.1 million, and interest income of \$1.1 million. The business generated 55% of the revenues from domestic investments, 39% from investments in Mexico and 6% from investments in Europe.

Acquisitions were strong during the second quarter totaling \$32.2 million. Purchases were comprised of four portfolios, two in France for a total purchase price of \$20.1 million, one in the United States for \$6.7 million, and one in Mexico for \$5.4 million. The Company invested \$11.4 million in these portfolios of which \$3.4 million was invested in the U.S., \$1.1 million in Mexico and \$6.9 million in France.

31% Interest in Drive Financial

FirstCity owns a 31% interest in Drive Financial Services L.P., a subprime auto lending company. Drive originated \$128 million of receivables during the quarter. Defaults and losses have risen to 21.46% and 11.07%, respectively, at the end of the quarter compared to 17.70% and 8.43%, respectively, for the same period last year. These increases are primarily a result of a continued weakness in the economy and the resulting impact on used car prices. Delinquencies were 6.00%, down from 6.76% for the prior year quarter.

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Drive continues on 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. The trend is detailed in the table below:

<u>\$ Thousands</u>	(Unaudited)					
	Loan Inventory	Total Assets	Income (loss) before provisions on residual assets	Provisions on residual assets	Net Income (Loss)	FirstCity's 31% share
2nd Quarter 2003	\$ 511,212	\$ 619,269	\$ 8,251	\$ (1,240)	\$ 7,011	\$ 2,173
1 st Quarter 2003	\$ 443,099	\$ 551,412	\$ 3,707	\$ (1,217)	\$ 2,490	\$ 689
Prior year:						
4th Quarter 2002	368,379	472,553	3,207	(3,303)	(96)	(29)
3rd Quarter 2002	310,540	416,295	1,025	(112)	913	282
2nd Quarter 2002	238,096	341,882	1,281	-	1,281	398
1st Quarter 2002	159,052	254,647	(3,470)	-	(3,470)	(1,076)

As the table shows, the trend of income (loss) before provisions for residual assets reflects the positive effects of growing the balance sheet.

Discontinued Operations

The anticipated net realizable value of the Company's investment in discontinued operations decreased slightly to \$7.7 million at June 30, 2003, down from \$7.9 million at March 31, 2003. The \$7.7 million valuation is net of reserves of \$.3 million. The provision for discontinued operations of \$420,000 for the quarter resulted primarily due to increased prepayments.

Conference Call

FirstCity will host a conference call to discuss the quarterly results today, Thursday, August 14, 2003 at 9:00 a.m., CDT. James T. Sartain, FirstCity's President and Chief Executive Officer will lead the call. To participate, dial 1-888-614-6579 and specify conference I.D. number 234147. Please dial in five minutes prior to the call. If you are unable to listen to the live conference call, a replay will be available by dialing 1-800-615-3210. The pass code for the replay is 234147. The replay will be available through Wednesday August 27, 2003.

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.

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 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, filed with the SEC on April 15, 2003, as well as in FirstCity's other filings with the SEC.

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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>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues:				
Servicing fees from affiliates	\$ 4,086	\$ 4,170	\$ 7,593	\$ 6,392
Gain on resolution of Portfolio Assets	272	456	967	700
Equity in earnings of investments	6,933	3,939	9,024	5,414
Interest income from affiliates	911	1,081	1,826	2,101
Interest income - other	157	276	345	561
Gain on sale of interest in equity investments	-	1,779	-	1,779
Other income	254	936	616	1,176
Total revenues	<u>12,613</u>	<u>12,637</u>	<u>20,371</u>	<u>18,123</u>
Expenses:				
Interest and fees on notes payable to affiliates	1,804	1,531	3,695	2,936
Interest and fees on notes payable - other	52	94	114	237
Salaries and benefits	4,098	3,425	7,594	6,160
Provision for loan and impairment losses	(56)	22	(22)	121
Occupancy, data processing, communication and other	1,736	2,460	3,730	4,370
Total expenses	<u>7,634</u>	<u>7,532</u>	<u>15,111</u>	<u>13,824</u>
Earnings from continuing operations before income taxes and minority interest	4,979	5,105	5,260	4,299
(Provision) benefit for income taxes	(133)	6	(254)	(7)
Earnings from continuing operations before minority interest	<u>4,846</u>	<u>5,111</u>	<u>5,006</u>	<u>4,292</u>
Minority interest	(609)	(909)	(788)	(924)
Earnings from continuing operations	<u>4,237</u>	<u>4,202</u>	<u>4,218</u>	<u>3,368</u>
Loss from discontinued operations	(420)	(1,500)	(420)	(2,000)
Net earnings	<u>3,817</u>	<u>2,702</u>	<u>3,798</u>	<u>1,368</u>
Accumulated preferred dividends in arrears	(67)	(642)	(133)	(1,284)
Net earnings to common shareholders	<u>\$ 3,750</u>	<u>\$ 2,060</u>	<u>\$ 3,665</u>	<u>\$ 84</u>
Basic and diluted earnings per common share are as follows:				
Earnings from continuing operations	\$ 0.37	\$ 0.43	\$ 0.37	\$ 0.25
Discontinued operations	(0.04)	(0.18)	(0.04)	(0.24)
Net earnings per common share	\$ 0.33	\$ 0.25	\$ 0.33	\$ 0.01
Wtd. avg. common shares outstanding	11,204	8,376	11,203	8,376

Selected Unaudited Balance Sheet Data

	<u>June 30,</u> <u>2003</u>	<u>December 31,</u> <u>2002</u>
Cash	\$ 3,995	\$ 4,118
Portfolio acquisition and resolution assets	79,849	77,744
Consumer assets	12,114	9,127
Deferred tax asset	20,101	20,101
Net assets of discontinued operations	7,696	7,764
Total assets	131,709	126,456
Notes payable to affiliates	95,542	95,560
Notes payable other	2,685	1,113
Preferred stock	3,713	3,705
Total common shareholders' equity	22,575	18,752

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Summary Operating Statement Data for Each Business				
Portfolio Asset Acquisition and Resolution:				
Revenues	\$ 9,823	\$ 12,098	\$ 16,659	\$ 18,889
Expenses	5,243	6,094	10,268	10,455
Operating contribution before provision for loan and impairment losses	4,580	6,004	6,391	8,434
Provision for loan and impairment losses	(56)	22	(22)	121
Operating contribution, net of direct taxes	<u>\$ 4,636</u>	<u>\$ 5,982</u>	<u>\$ 6,413</u>	<u>\$ 8,313</u>
Consumer Lending:				
Revenues, net of equity in loss of investment	\$ 2,716	\$ 497	\$ 3,577	\$ (848)
Expenses, net of minority interest	664	102	950	(162)
Operating contribution (loss), net of direct taxes	<u>\$ 2,052</u>	<u>\$ 395</u>	<u>\$ 2,627</u>	<u>\$ (686)</u>

Portfolio Asset Acquisition and Resolution:
Overview

Aggregate purchase price of portfolios acquired:

Acquisition partnerships				
Domestic	\$ 6,750	\$ 7,724	\$ 6,750	\$ 20,494
Mexico	5,400	-	5,400	11,709
France	20,055	27,502	20,055	27,502
Italy	-	16,943	-	16,943
Total	<u>\$ 32,205</u>	<u>\$ 52,169</u>	<u>\$ 32,205</u>	<u>\$ 76,648</u>

Historical Acquisitions - Annual:

	Purchase Price	FirstCity's Investment
2003 year to date	\$ 32,205	\$ 11,365
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

	June 30, 2003	June 30, 2002
Portfolio acquisition and resolution assets by region:		
Domestic	\$ 41,011	\$ 44,023
Mexico	16,840	20,054
France and Italy	21,998	13,095
Total	<u>\$ 79,849</u>	<u>\$ 77,172</u>

Revenues by region:

Domestic	\$ 5,387	\$ 8,515	\$ 9,794	\$ 11,961
Mexico	3,795	931	5,220	3,367
France and Italy	641	2,648	1,645	3,556
Other foreign	-	4	-	5
Total	<u>\$ 9,823</u>	<u>\$ 12,098</u>	<u>\$ 16,659</u>	<u>\$ 18,889</u>

Revenues by source:

Equity earnings	\$ 4,217	\$ 3,442	\$ 5,447	\$ 6,262
Servicing fees	4,086	4,170	7,593	6,392
Interest income - loans	1,062	1,313	2,158	2,590
Gain on sale of interest in equity investment	-	1,779	-	1,779
Gain on resolution of Portfolio Assets	272	456	967	700
Other	186	938	494	1,166
Total	<u>\$ 9,823</u>	<u>\$ 12,098</u>	<u>\$ 16,659</u>	<u>\$ 18,889</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Analysis of Equity Investments in Acquisition Partnerships:				
FirstCity's Average investment in Acquisition Partnerships				
Domestic	\$ 33,089	\$ 33,385	\$ 33,109	\$ 33,181
Mexico	1,036	1,189	1,040	1,258
France	11,628	8,767	11,535	8,825
France-Servicing subsidiaries	3,737	2,650	3,575	2,399
Total	<u>\$ 49,490</u>	<u>\$ 45,991</u>	<u>\$ 49,259</u>	<u>\$ 45,663</u>
FirstCity Share of Equity Earnings (Loss):				
Domestic	\$ 3,264	\$ 4,544	\$ 5,611	\$ 6,502
Mexico	390	(1,897)	(1,670)	(1,914)
France	460	534	1,187	994
France-Servicing subsidiaries	103	261	319	680
Total	<u>\$ 4,217</u>	<u>\$ 3,442</u>	<u>\$ 5,447</u>	<u>\$ 6,262</u>
Selected other data:				
Average investment in wholly owned portfolio assets and loans receivable:				
Domestic	\$ 8,262	\$ 13,662	\$ 8,553	\$ 14,167
Mexico	14,816	20,366	14,877	19,717
France	1,001	-	715	-
Total	<u>\$ 24,079</u>	<u>\$ 34,028</u>	<u>\$ 24,145</u>	<u>\$ 33,884</u>
Income from wholly owned portfolio assets and loans receivable:				
Domestic	\$ 462	\$ 748	\$ 1,375	\$ 1,284
Mexico	855	1,021	1,733	2,006
France	17	-	17	-
Total	<u>\$ 1,334</u>	<u>\$ 1,769</u>	<u>\$ 3,125</u>	<u>\$ 3,290</u>
Servicing fee revenues:				
Domestic partnerships:				
\$ Collected	\$ 40,644	\$ 104,388	\$ 64,694	\$ 136,211
Servicing fee revenue	1,541	2,333	2,582	3,150
Average servicing fee %	3.8%	2.23%	4.0%	2.31%
Mexico partnerships:				
\$ Collected	\$ 13,513	\$ 29,156	\$ 30,025	\$ 48,350
Servicing fee revenue	2,484	1,632	4,879	2,986
Average servicing fee %	18.4%	5.60%	16.2%	6.18%
Incentive service fees	\$ 61	\$ 205	\$ 132	\$ 256
Total Service Fees:				
\$ Collected	\$ 54,157	\$ 133,544	\$ 94,719	\$ 184,561
Servicing fee revenue	4,086	4,170	7,593	6,392
Average servicing fee %	7.5%	3.12%	8.0%	3.46%
Servicing portfolio (face value)				
Domestic	\$ 361,957	\$ 406,918		
Mexico	1,222,626	1,391,792		
France and Italy	905,224	731,566		
Total	<u>\$ 2,489,807</u>	<u>\$ 2,530,276</u>		
Number of personnel at period end:				
Domestic	70	78		
Mexico	166	82		
Total personnel	<u>236</u>	<u>160</u>		

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Consumer Lending: ⁽¹⁾				
Retail installment contracts acquired	\$ 127,706	\$ 100,780	\$ 253,825	\$ 214,181
Origination characteristics:				
Face value to wholesale value	98.71%	99.56%	98.79%	100.46%
Weighted average coupon	21.04%	21.18%	20.97%	21.06%
Purchase discount (% of face value)	17.50%	15.40%	17.29%	15.59%
Servicing portfolio (face value in \$)	768,889	637,229		
Defaults (% of original balance at time of default)	21.46%	17.70%		
Net loss on defaults after recovery	11.07%	8.43%		
Delinquencies (% of total serviced portfolio)	6.00%	6.76%		
Equity in earnings (loss) of Drive	\$ 2,716	\$ 497	\$ 3,577	\$ (848)
Minority interest	(543)	(99)	(715)	170
Net equity in earnings (loss) of Drive	<u>\$ 2,173</u>	<u>\$ 398</u>	<u>\$ 2,862</u>	<u>\$ (678)</u>

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