

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **September 30, 2023**

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____.

Commission file number: **000-55621**

TEXAS REPUBLIC CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation or organization)

45-5311713

(I.R.S. Employer Identification Number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common stock \$0.01 par

Trading Symbol(s)

-

Name of each exchange on which registered

None

13215 Bee Cave Parkway, Ste. A120

Austin, Texas 78738

(Address of principal executive offices)

(512) 330-0099

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provide pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: Common stock .01 par value as of November 1, 2023: 15,546,619 shares

TEXAS REPUBLIC CAPITAL CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTERLY PERIOD ENDED SEPTEMBER 30, 2023

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Texas Republic Capital Corporation and Subsidiaries
Consolidated Statements of Financial Position

	September 30, 2023 (Unaudited)	December 31, 2022
Assets		
Available-for-sale fixed maturity securities at fair value (Amortized cost: \$6,230,966 and \$8,620,783 as of September 30, 2023 and December 31, 2022, respectively)	\$ 5,660,648	\$ 8,137,190
Mortgage loans, net of allowance	16,043,093	18,573,709
Policy loans	15,163	21,496
Other long-term investments	3,117,579	3,763,011
Total investments	24,836,483	30,495,406
Cash and cash equivalents	10,004,645	4,417,837
Accrued investment income	201,819	216,677
Due premium	54,936	4,103
Deferred policy acquisition costs	3,032,993	2,453,849
Deferred sales inducement costs	271,070	445,373
Advances and notes receivable, net of allowance	71,897	66,006
Leased property - right to use	363,687	429,151
Prepaid assets	71,245	40,881
Intangible assets, net of accumulated amortization	258,140	295,017
Furniture and equipment, net	18,682	20,729
Other assets	1,764,299	1,370,109
Total assets	\$ 40,949,896	\$ 40,255,138
Liabilities and Shareholders' Equity		
Policy liabilities		
Policyholders' account balances	\$ 27,957,287	\$ 28,305,422
Future policy benefits	1,995,525	1,832,092
Policy claims and other benefits	640,217	650,182
Liability for deposit-type contracts	244,805	261,855
Other policyholder liabilities	32,400	48,808
Total policy liabilities	30,870,234	31,098,359
Lease liability	363,687	429,151
Other liabilities	354,059	212,122
Total liabilities	31,587,980	31,739,632
Shareholders' equity		
Common stock, par value \$.01 per share, 25,000,000 shares authorized, 15,600,539 issued as of September 30, 2023 and December 31, 2022, 15,546,619 outstanding as of September 30, 2023 and December 31, 2022, and 293,743 subscribed as of September 30, 2023	158,943	156,005
Additional paid-in capital	24,030,989	21,854,321
Treasury stock, at cost (53,920 shares as of September 30, 2023 and December 31, 2022)	(52,130)	(52,130)
Accumulated other comprehensive loss	(570,318)	(483,593)
Accumulated deficit	(14,205,568)	(12,959,097)
Total shareholders' equity	9,361,916	8,515,506
Total liabilities and shareholders' equity	\$ 40,949,896	\$ 40,255,138

See notes to consolidated financial statements (unaudited).

Texas Republic Capital Corporation and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Revenues				
Premiums and other considerations	\$ 606,336	\$ 451,366	\$ 1,906,986	\$ 1,388,895
Net investment income	517,581	420,901	1,547,212	1,229,212
Net realized gains on investments	3,027	-	3,027	17,635
Commission income	54,756	427,048	88,100	494,017
Total revenues	1,181,700	1,299,315	3,545,325	3,129,759
Benefits, claims and expenses				
Increase in future policy benefits	61,110	69,654	111,042	344,185
Death and other benefits	(5,828)	72,510	270,470	290,126
Interest credited to policyholders	336,789	293,086	1,180,775	829,507
Total benefits and claims	392,071	435,250	1,562,287	1,463,818
Policy acquisition costs deferred	(312,103)	(373,834)	(978,995)	(1,064,379)
Policy acquisition costs amortized	97,650	102,361	399,851	358,916
Commissions	415,551	411,321	1,308,697	1,185,922
Salaries and employee benefits	500,637	475,219	1,533,791	1,243,214
Office rent	24,354	23,841	73,016	69,947
Third-party administration fees	67,061	634	95,531	86,623
Travel, meals, and entertainment	5,535	(7,326)	30,319	40,260
Professional fees	173,089	86,769	467,705	402,574
Other general and administrative expenses	109,621	68,237	299,594	278,084
Total benefits, claims and expenses	1,473,466	1,222,472	4,791,796	4,064,979
Net income (loss)	\$ (291,766)	\$ 76,843	\$ (1,246,471)	\$ (935,220)
Net income (loss) per common share outstanding	\$ (0.02)	\$ 0.01	\$ (0.08)	\$ (0.06)

See notes to consolidated financial statements (unaudited).

Texas Republic Capital Corporation and Subsidiaries
Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ (291,766)	\$ 76,843	\$ (1,246,471)	\$ (935,220)
Other comprehensive loss				
Total net unrealized losses arising during the period	(141,191)	(317,845)	(83,698)	(1,404,223)
Less net realized investment gains	3,027	-	3,027	17,635
Net unrealized investment losses	(144,218)	(317,845)	(86,725)	(1,421,858)
Total other comprehensive loss	(144,218)	(317,845)	(86,725)	(1,421,858)
Total comprehensive loss	<u>\$ (435,984)</u>	<u>\$ (241,002)</u>	<u>\$ (1,333,196)</u>	<u>\$ (2,357,078)</u>

See notes to consolidated financial statements (unaudited).

Texas Republic Capital Corporation and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity

Nine Months Ended September 30, 2023 and 2022
(Unaudited)

	Common Stock \$.01 Par Value	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity
Balance as of January 1, 2022	\$ 148,671	\$ 17,538,618	\$ (64,280)	\$ 798,073	\$ (11,809,113)	\$ 6,611,969
Common stock shares subscribed	7,334	4,315,703	-	-	-	4,323,037
Treasury shares issued	-	-	12,150	-	-	12,150
Other comprehensive loss	-	-	-	(1,421,858)	-	(1,421,858)
Net loss	-	-	-	-	(935,220)	(935,220)
Balance as of September 30, 2022	<u>\$ 156,005</u>	<u>\$ 21,854,321</u>	<u>\$ (52,130)</u>	<u>\$ (623,785)</u>	<u>\$ (12,744,333)</u>	<u>\$ 8,590,078</u>
Balance as of January 1, 2023	\$ 156,005	\$ 21,854,321	\$ (52,130)	\$ (483,593)	\$ (12,959,097)	\$ 8,515,506
Common stock shares subscribed	2,938	2,176,668	-	-	-	2,179,606
Other comprehensive loss	-	-	-	(86,725)	-	(86,725)
Net loss	-	-	-	-	(1,246,471)	(1,246,471)
Balance as of September 30, 2023	<u>\$ 158,943</u>	<u>\$ 24,030,989</u>	<u>\$ (52,130)</u>	<u>\$ (570,318)</u>	<u>\$ (14,205,568)</u>	<u>\$ 9,361,916</u>

Three Months Ended September 30, 2023 and 2022
(Unaudited)

	Common Stock \$.01 Par Value	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity
Balance as of July 1, 2022	\$ 150,296	\$ 18,512,233	\$ (52,130)	\$ (305,940)	\$ (12,821,176)	\$ 5,483,283
Common stock shares subscribed	5,709	3,342,088	-	-	-	3,347,797
Other comprehensive loss	-	-	-	(317,845)	-	(317,845)
Net income	-	-	-	-	76,843	76,843
Balance as of September 30, 2022	<u>\$ 156,005</u>	<u>\$ 21,854,321</u>	<u>\$ (52,130)</u>	<u>\$ (623,785)</u>	<u>\$ (12,744,333)</u>	<u>\$ 8,590,078</u>
Balance as of July 1, 2023	\$ 157,964	\$ 23,305,175	\$ (52,130)	\$ (426,100)	\$ (13,913,802)	\$ 9,071,107
Common stock shares subscribed	979	725,814	-	-	-	726,793
Other comprehensive loss	-	-	-	(144,218)	-	(144,218)
Net loss	-	-	-	-	(291,766)	(291,766)
Balance as of September 30, 2023	<u>\$ 158,943</u>	<u>\$ 24,030,989</u>	<u>\$ (52,130)</u>	<u>\$ (570,318)</u>	<u>\$ (14,205,568)</u>	<u>\$ 9,361,916</u>

See notes to consolidated financial statements (unaudited).

Texas Republic Capital Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Operating activities		
Net loss	\$ (1,246,471)	\$ (935,220)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net accretion of discount and amortization of premium on investments	(240,033)	(215,086)
Net realized capital gains	(3,027)	(17,635)
Provision for depreciation and amortization	41,908	40,153
Policy acquisition costs deferred	(978,995)	(1,064,379)
Policy acquisition costs amortized	399,851	358,916
Mortgage loan origination fees deferred	(93,806)	-
Amortization of mortgage loan origination fees	16,293	35,800
Provision for estimated mortgage loan losses	(13,106)	14,336
Provision for estimated uncollectible advances and notes receivable	(4,799)	(4,313)
Interest credited to policyholders	1,180,775	829,507
Non-cash salary expense	-	12,150
Change in assets and liabilities:		
Accrued investment income	14,858	(34,118)
Due premium	(50,833)	(27,413)
Advances and notes receivable	(1,112)	161,097
Prepaid assets	(30,364)	(53,800)
Other assets	(394,170)	(126,243)
Future policy benefits	163,433	464,085
Policy claims	(9,965)	(366,463)
Other policy liabilities	(16,408)	(44,939)
Other liabilities	141,937	53,853
Net cash used in operating activities	(1,124,034)	(919,712)
Investing activities		
Purchases of furniture and equipment	(2,984)	-
Purchases of available for sale securities	-	(1,461,639)
Sales of available for sale securities	2,410,920	1,111,464
Purchases of mortgage loans	(5,293,391)	(12,526,255)
Payments on mortgage loans	7,920,425	9,689,967
Policy loans	6,333	-
Purchase of other long-term investments	-	(1,256,050)
Payments on other long-term investments	861,590	789,139
Net cash provided by (used in) investing activities	5,902,893	(3,653,374)
Financing activities		
Proceeds from the subscription of common stock	2,179,606	4,294,033
Policyholder deposits	220,143	434,609
Policyholder withdrawals	(1,574,750)	(707,918)
Deposit-type contracts - deposits	-	255,517
Deposit-type contracts - withdrawals	(17,050)	(38,449)
Net cash provided by financing activities	807,949	4,237,792
(Decrease) increase in cash and cash equivalents	5,586,808	(335,294)
Cash and cash equivalents, beginning of period	4,417,837	8,224,914
Cash and cash equivalents, end of period	\$ 10,004,645	\$ 7,889,620
Supplemental disclosure of non-cash financing activities		
Treasury stock issued as compensation	\$ -	\$ 12,150
Subscriptions receivable for common stock	-	29,004

See notes to consolidated financial statements (unaudited).

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2023
(Unaudited)

1. Organization and Significant Accounting Policies

Nature of Operations

Texas Republic Capital Corporation (the “Company”) is the parent holding company of Texas Republic Life Insurance Company (“TRLIC”), Texas Republic Life Solutions, Inc. (“TRLS”), and Axis Insurance Solutions, LLC (“AIS”). The Company was incorporated in Texas on May 15, 2012, for the primary purpose of forming and capitalizing a life insurance company subsidiary.

The Texas Department of Insurance approved TRLIC’s life insurance charter on August 1, 2016. The Company capitalized TRLIC with \$3,000,000 and owns 100% of TRLIC. TRLIC began insurance operations on April 3, 2017 and is currently selling life and annuity products in the state of Texas. In 2018 the Company made additional capital contributions totaling \$2,750,000 for the entire year. In 2019 the Company made two more capital contributions to TRLIC. The first contribution consisted of mortgage loans valued at \$857,133 and the second one was a \$1,300,000 cash contribution. In 2021 and 2022, the Company made additional total capital contributions of \$2,100,000 and \$2,100,000, respectively. During the first nine months of 2023, the Company made \$1,250,000 in total capital contributions. Total capitalization of TRLIC was \$13,357,133 at September 30, 2023.

TRLS, a life and health insurance agency, was incorporated February 1, 2017. The Company capitalized TRLS with \$50,000 and owns 100% of TRLS. In 2018 and 2020 the Company made additional capital contributions of \$100,000 and \$200,000, respectively. In 2021 and 2022, the Company made additional total capital contributions of \$50,000 and \$150,000, respectively. Total capitalization of TRLS was \$550,000 at September 30, 2023.

AIS, a property & casualty insurance agency, was formed on April 6, 2021. The Company capitalized AIS with \$25,000 and owns 100% of AIS.

From incorporation through April 2, 2017 the Company was involved in the sale of common stock to provide working capital. During this time, the Company completed an organizational offering, three private placement stock offerings and an intrastate public stock offering in the state of Texas. The Company raised \$10,336,500 and incurred \$1,215,569 of offering costs through the issuance of 12,865,000 shares from the organizational offering and three private placement offerings. The intrastate public stock offering was registered to raise \$25,000,000 by offering 5,000,000 shares of its common stock and ended on April 2, 2017. Through this offering the Company raised an additional \$10,010,485 and incurred another \$1,444,127 of offering costs through the sale of 2,002,097 shares of common stock. On May 31, 2022, the Company began a rights offering to existing shareholders only. The rights offering ended on September 30, 2022. Through this rights offering, the Company raised \$4,400,652 and incurred \$77,615 of offering costs through the sale of 733,442 shares of its common stock.

On January 1, 2023, the Company began a six-million-dollar private placement offering with a possible 10% oversubscription. This offering will end on January 1, 2024, unless all of the shares are sold before then or the offering is extended. These shares will be sold in reliance on the exemption from the registration requirements of the Securities Act of 1933 (the “1933 Act”) contained in Securities and Exchange Commission (“SEC”) Regulation D, Rule 506. No underwriter will be involved in connection with the issuance of these shares, and we will not pay finder’s fees in this private placement. The Company has raised \$2,203,073 and incurred \$23,467 of offering costs from the subscription of 293,743 shares through September 30, 2023 from this offering.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation of the results for the interim periods have been included.

The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results to be expected for the year ended December 31, 2023 or for any other interim period or for any other future year. Certain financial information which is normally included in notes to consolidated financial statements prepared in accordance with U.S. GAAP, but which is not required for interim reporting purposes, has been condensed or omitted. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in the Company’s report on Form 10-K for the year ended December 31, 2022.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2023
(Unaudited)

1. Organization and Significant Accounting Policies (continued)

Principles of Consolidation

The consolidated financial statements include the accounts and operations of the Company and its subsidiaries. All intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Reclassifications

Certain reclassifications have been made in the prior year financial statements to conform to current year classifications. These reclassifications had no effect on the previously reported net loss or shareholders' equity.

Investments

Fixed maturity securities are comprised of bonds that are classified as available-for-sale and are carried at fair value net of any necessary valuation allowance for credit losses with unrealized gains and losses, net of applicable income taxes, reported in accumulated other comprehensive income (loss). The amortized cost of fixed maturity securities available-for-sale is generally adjusted for amortization of premium and accretion of discount.

Interest income, as well as the related amortization of premium and accretion of discount, is included in net investment income under the effective yield method.

The Company monitors all fixed maturity securities on an on-going basis relative to changes in credit ratings, market prices, earnings trends and financial performance, in addition to specific region or industry reviews. The Company evaluates whether a credit impairment exists for fixed maturity securities by considering primarily the following factors: (a) changes in the financial condition of the security's underlying collateral; (b) whether the issuer is current on contractually obligated interest and principal payments; (c) changes in the financial condition, credit rating and near-term prospects of the issuer; and (d) the payment structure of the security. The Company's best estimate of expected future cash flows used to determine the credit loss amount is a quantitative and qualitative process. Quantitative review includes information received from third-party sources such as financial statements, pricing and rating changes, liquidity and other statistical information. Qualitative factors include judgments related to business strategies, economic impacts on the issuer, overall judgment related to estimates and industry factors as well as the Company's intent to sell the security, or if it is more likely than not that the Company would be required to sell a security before recovery of its amortized cost.

The Company's best estimate of future cash flows involves assumptions including, but not limited to, various performance indicators, such as historical and projected default and recovery rates, credit ratings, and current delinquency rates. These assumptions require the use of significant management judgment and include the probability of issuer default and estimates regarding timing and amount of expected recoveries, which may include estimating the underlying collateral value. In addition, projections of expected future fixed maturity security cash flows may change based upon new information regarding the performance of the issuer. Any credit losses are presented as an allowance rather than as a write-down of available-for-sale fixed maturity securities, with the change in allowance reported in net loss on the consolidated statements of operations.

Purchases and sales of securities are recorded on a trade-date basis. Interest earned on investments is recorded on the accrual basis and is included in net investment income.

The Company's mortgage loan portfolio is comprised entirely of residential properties with loan to appraised value ratios below 90%. Mortgage loans are carried at current book value. A mortgage loan allowance has been established for any unforeseen losses using an industry approach, which establishes a reserve for possible loan losses charged to expense which represents, in the Company's judgement, the known and estimated credit losses existing in the loan portfolio. This reserve reduces the carrying value of investment in mortgage loans on the consolidated statement of financial position. The fair values for mortgage loans are estimated using discounted cash flow analysis. The discount rate used to calculate fair values was indexed to the LIBOR yield curve adjusted for an appropriate credit spread.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2023
(Unaudited)

1. Organization and Significant Accounting Policies (continued)

Policy loans are carried at unpaid principal balances. Interest income on policy loans is recognized in net investment income at the contract interest rate when earned.

The Company's other long-term investments are comprised of lottery prize cash flows holdings held at amortized cost. Payments on these investments are made by state run lotteries. Since state run lotteries are unlikely to default even in the most dire economic situations, no allowance for credit losses are necessary. Interest income and the accretion of discount are included in net investment income.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and money market instruments.

Deferred Policy Acquisition Costs

Costs that relate to and vary with the successful production of new business are deferred over the life of the policy. Deferred acquisition costs ("DAC") consist of commissions and policy issuance, underwriting and agency expenses. DAC expenses are amortized primarily over the premium-paying period of life policies and as profits emerge on annuity products. Amortization uses the same assumptions as were used in computing liabilities for future policy benefits. There was \$978,995 of DAC deferred and \$399,851 of DAC amortized for the nine months ended September 30, 2023. For the three months ended September 30, 2023, there was \$312,103 of DAC deferred and \$97,650 of DAC amortized. There was \$1,064,379 of DAC deferred and \$358,916 of DAC amortized for the nine months ended September 30, 2022. For the three months ended September 30, 2022, there was \$373,834 of DAC deferred and \$102,361 of DAC amortized.

Deferred Sales Inducement Costs

Sales inducement costs ("SIC") are related to policy bonuses issued on some of the Company's annuity products. SIC is deferred at the issuance of the policy and amortized over the bonus period on a straight-line basis. The amount deferred is based on the difference between the fund value with the bonus and the fund value without the bonus. There was \$271,070 and \$445,373 of SIC deferred at September 30, 2023 and December 31, 2022, respectively. There was \$0 of SIC deferred and \$174,303 of SIC amortized for the nine months ended September 30, 2023. For the three months ended September 30, 2023, there was \$0 of SIC deferred and \$56,955 of SIC amortized. There was \$0 of SIC deferred and \$208,551 SIC amortized for the nine months ended September 30, 2022. For the three months ended September 30, 2022, there was \$0 of SIC deferred and \$61,756 of SIC amortized.

Advances and Notes Receivable

Advances and notes receivable are recorded at unpaid principal balances. Management evaluates the collectability of advances and notes receivable on the specific identification basis. Management had an allowance for possible uncollectable agent balances of \$11,091 and \$15,870 as of September 30, 2023 and December 31, 2022, respectively.

Leased Property – Right to Use Asset

In February 2016, the FASB issued ASU 2016-02, Lease Accounting (Topic 842) ("ASU 2016-02"). Under ASU 2016-02, a lessee is required to recognize assets and liabilities for leases with lease terms of more than twelve months. The Company's home office lease had an original term greater than one year, and the Company recognizes on the balance sheet a right of use ("ROU") operating lease asset and a lease liability, initially measured at the present value of the lease payments. Lease costs are recognized in the income statement over the lease term on a straight-line basis. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. The Company has a lease asset and liability of \$363,687 as of September 30, 2023 compared to \$429,151 as of December 31, 2022.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and reflect amounts paid for the Company's computer software costs during the application development stage. The software costs placed in service are amortized using the straight-line method over the seven-year estimated useful life of the software. The asset is tested for impairment at least annually. Subsequent modifications or upgrades to internal-use software are capitalized only to the extent that additional functionality is provided.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2023
(Unaudited)

1. Organization and Significant Accounting Policies (continued)

Furniture and Equipment

Furniture and equipment are carried at cost less accumulated depreciation or amortization. Office furniture, equipment and EDP equipment are recorded at cost or fair value at acquisition less accumulated depreciation or amortization using the straight-line method over a period that approximates the estimated useful life of the respective assets of three to seven years. Expenditures for improvements are capitalized, and expenditures for maintenance and repairs are expensed as incurred. Upon sale or retirement, the cost and related accumulated depreciation and amortization is removed from the related accounts, and the resulting gain or loss, if any, is reflected in income.

Policyholders' Account Balances

The Company's liability for policyholders' account balances represents the contract value that has accrued to the benefit of the policyholder as of the financial statement date. This liability is generally equal to the accumulated account deposits plus applicable bonus and interest credited less policyholders' withdrawals and other charges assessed against the account balance. Interest crediting rates for individual annuities range from 1.55% to 5.50%.

Future Policy Benefits

Future policy benefit reserves have been computed by the net level premium method with assumptions as to investment yields, mortality and withdrawals based upon the Company's experience. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of policy liabilities and the increase in future policy benefit reserves. Management's judgments and estimates for future policy benefit reserves provide for possible unfavorable deviation. Actual experience may emerge differently from that originally estimated. Any such difference would be recognized in the current year's consolidated statement of operations.

Common Stock

Common stock is fully paid, non-assessable and has a par value of \$.01 per share.

Treasury Stock

Treasury stock, representing shares of the Company's common stock that have been reacquired after having been issued and fully paid, are recorded at cost.

Federal Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Deferred income taxes are provided for cumulative temporary differences between balances of assets and liabilities determined under GAAP and balances determined using tax basis.

Net Loss Per Common Share Outstanding and Subscribed

Net loss per common share is calculated using the weighted average number of common shares outstanding and subscribed during the year. The weighted average common shares outstanding and subscribed were 15,713,239 and 14,962,247 for the nine months ended September 30, 2023 and 2022, respectively. The weighted average common shares outstanding and subscribed were 15,798,375 and 15,242,473 for the three months ended September 30, 2023 and 2022, respectively.

Related Party Transactions

The Company entered into an agreement with First Trinity Financial Corporation (FTFC) where FTFC will use its resources to source mortgage loans on real estate and lottery bonds. FTFC will present to the Company investments based on criteria the Company has established. The Company has the option to purchase the presented investment assets directly from the seller or to decline the purchase based on the Company's analysis of the investment. The Chairman of the Company is also the Chairman, President, and Chief Executive Officer of FTFC. The Company paid FTFC \$93,806 for the nine months ending September 30, 2023 and \$51,498 for the year ending December 31, 2022.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2023
(Unaudited)

1. Organization and Significant Accounting Policies (continued)

The Company entered into a coinsurance reinsurance agreement with Family Benefit Life Insurance Company (FBLIC), which is a subsidiary of FTFC. The Company will cede a portion of new business from our TrueFlex product related to specific groups to FBLIC as mutually agreed upon in advance. This new agreement became effective on January 1, 2022, and as of September 30, 2023 there have been three groups covered under this agreement.

Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through the date the financial statements were available to be issued. The Company did not identify any subsequent events requiring recognition or disclosure.

Recently Adopted Accounting Pronouncements

In September 2016, the FASB issued *ASU 2016-13, "Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments"* ("ASU 2016-13"). ASU 2016-13 will change the way entities recognize impairment of financial assets by requiring immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets, including, among others, held-to-maturity debt securities, mortgage loans, lottery prize receivables, trade receivables, and reinsurance recoverables. ASU 2016-13 requires a valuation allowance to be calculated on these financial assets and that they be presented on the financial statements net of the valuation allowance. This methodology is referred to as the current expected credit loss model. ASU 2016-13 had an original effective date for fiscal years beginning after December 15, 2019. The FASB recently delayed the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022 for smaller reporting companies, with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's financial condition and results of operations.

In March 2022, the FASB issued amendments (Accounting Standards Update 2022-2) for the accounting of troubled debt restructuring and disclosures. The amendments introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulties. The amendments promulgate that an entity must apply specific loan refinancing and restructuring guidance to determine whether a modification results in a new loan or the continuation of an existing loan. The amendments also require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases. The amendments in this guidance are effective for fiscal years beginning after December 15, 2022, and should be applied prospectively. The adoption of this guidance did not have a material impact on the Company's results of operations, financial position or liquidity.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-12 *Financial Services-Insurance (Topic 944) - Targeted Improvements to the Accounting for Long-Duration Contracts*. This update is aimed at improving the Codification related to long-duration contracts which will improve the timeliness of recognizing changes in the liability for future policy benefits, simplify accounting for certain market-based options, simplify the amortization of deferred acquisition costs, and improve the effectiveness of required disclosures. These updates were originally required to be applied retrospectively to the earliest period presented in the financial statements for periods beginning after December 15, 2020. The FASB recently delayed the effective date of ASU 2018-12 to periods beginning after December 15, 2024 for smaller reporting companies, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the Company's financial condition and results of operations.

In December 2022, the FASB issued amendments (Accounting Standards Update 2022-5) to Accounting Standards Update 2018-12 (Targeted Improvements for Long-Duration Contracts) that originally required an insurance entity to apply a retrospective transition method as of the beginning of the earliest period presented or the beginning of the prior fiscal year if early application was elected. This updated guidance reduces implementation costs and complexity associated with the adoption of targeted improvements in accounting for long-duration contracts that have been derecognized in accordance with Accounting Standards Update 2018-12 before the delayed effective date. Without the amendments in this Update, an insurance entity would be required to reclassify a portion of gains or losses previously recognized in the sale or disposal of insurance contracts or legal entities because of the adoption of a new accounting standard. Because there is no effect on an insurance entity's future cash flows, this reclassification may not be useful to users of financial information. The amendments in this guidance are effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the Company's financial condition and results of operations.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2023
(Unaudited)

2. Investments

Fixed Maturity Securities Available-For-Sale

Investments in fixed maturity securities available-for-sale as of September 30, 2023 and December 31, 2022 are summarized as follows:

September 30, 2023 (Unaudited)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities				
Corporate bonds	\$ 6,230,966	\$ 148	\$ 570,466	\$ 5,660,648
U.S. Treasury securities	-	-	-	-
Total fixed maturity securities	\$ 6,230,966	\$ 148	\$ 570,466	\$ 5,660,648

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities				
Corporate bonds	\$ 7,144,489	\$ 1,153	\$ 478,242	\$ 6,667,400
U.S. Treasury securities	1,476,294	-	6,504	1,469,790
Total fixed maturity securities	\$ 8,620,783	\$ 1,153	\$ 484,746	\$ 8,137,190

For securities in an unrealized loss position as of the financial statement dates, the estimated fair value, pre-tax gross unrealized loss and number of securities by length of time that those securities have been continuously in an unrealized loss position as of September 30, 2023 and December 31, 2022 are summarized as follows:

September 30, 2023 (Unaudited)	Fair Value	Unrealized Loss	Number of Securities
Fixed maturity securities			
Less than 12 months			
Corporate bonds	\$ 850,731	\$ 53,751	5
U.S. Treasury securities	-	-	-
Greater than 12 months			
Corporate bonds	4,709,076	516,715	40
Total fixed maturity securities	\$ 5,559,807	\$ 570,466	45

December 31, 2022	Fair Value	Unrealized Loss	Number of Securities
Fixed maturity securities			
Less than 12 months			
Corporate bonds	\$ 6,565,489	\$ 478,242	48
U.S. Treasury securities	1,469,790	6,504	1
Greater than 12 months			
Corporate bonds	-	-	-
Total fixed maturity securities	\$ 8,035,279	\$ 484,746	49

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2023
(Unaudited)

2. Investments (continued)

As of September 30, 2023, the fixed maturity securities in a less than and greater than 12-month loss position had an average fair value to amortized cost ratio of 93.9% and 90.9%, respectively. As of December 31, 2022, the fixed maturity securities in a less than 12-month loss position had an average fair value to amortized cost ratio of 94.3%.

As of September 30, 2023 and December 31, 2022, there were no fixed maturity securities that were below investment grade as rated by taking the median of Fitch's, Moody's, and Standard and Poor's ratings, respectively.

The Company monitors all fixed maturity securities on an on-going basis relative to changes in credit ratings, market prices, earnings trends and financial performance, in addition to specific region or industry reviews. The Company evaluates whether a credit impairment exists for fixed maturity securities by considering primarily the following factors: (a) changes in the financial condition of the security's underlying collateral; (b) whether the issuer is current on contractually obligated interest and principal payments; (c) changes in the financial condition, credit rating and near-term prospects of the issuer; and (d) the payment structure of the security. The Company's best estimate of expected future cash flows used to determine the credit loss amount is a quantitative and qualitative process. Quantitative review includes information received from third-party sources such as financial statements, pricing and rating changes, liquidity and other statistical information. Qualitative factors include judgments related to business strategies, economic impacts on the issuer, overall judgment related to estimates and industry factors as well as the Company's intent to sell the security, or if it is more likely than not that the Company would be required to sell a security before recovery of its amortized cost.

The Company's best estimate of future cash flows involves assumptions including, but not limited to, various performance indicators, such as historical and projected default and recovery rates, credit ratings, and current delinquency rates. These assumptions require the use of significant management judgment and include the probability of issuer default and estimates regarding timing and amount of expected recoveries, which may include estimating the underlying collateral value. In addition, projections of expected future fixed maturity security cash flows may change based upon new information regarding the performance of the issuer. Any credit losses are presented as an allowance rather than as a write-down of available-for-sale fixed maturity securities.

As of September 30, 2023, the Company determined that no allowances for credit losses were necessary for the fixed maturity securities based on the current holdings, the respective economic factors, and the Company's historical experience.

The unrealized depreciation shown herein are primarily the result of the current interest rate environment rather than credit factors.

Net unrealized losses included in accumulated other comprehensive income for investments classified as available-for-sale are summarized as follows:

	(Unaudited) September 30, 2023	December 31, 2022
Unrealized depreciation on available-for-sale securities	\$ (570,318)	\$ (483,593)
Net unrealized depreciation on available-for-sale securities	<u>\$ (570,318)</u>	<u>\$ (483,593)</u>

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2023
(Unaudited)

2. Investments (continued)

The amortized cost and fair value of fixed maturity available-for-sale securities as of September 30, 2023, by contractual maturity, are summarized as follows:

	(Unaudited)	
	Amortized Cost	Fair Value
Due in one year or less	\$ 568,964	\$ 565,677
Due after one year through five years	3,064,056	2,906,446
Due after five years through ten years	657,572	600,383
Due after ten years	1,940,374	1,588,142
Total fixed maturity securities	\$ 6,230,966	\$ 5,660,648

For the nine months ended September 30, 2023, the Company received \$2,410,920 of proceeds from sales and maturities of investments in available-for-sale securities and had \$3,027 and \$0 of gross gains and gross losses realized, respectively. For the year ended December 31, 2022, the Company received \$1,111,464 of proceeds from sales and maturities of investments in available-for-sale securities and had \$20,643 of gross gains and \$3,008 of gross losses realized, respectively.

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The amortized cost and fair value of other long-term investments (which consists of lottery prize cash flows) as of September 30, 2023, by contractual maturity, are summarized as follows:

	(Unaudited)	
	Amortized Cost	Fair Value
Due in one year or less	\$ 1,037,332	\$ 1,119,196
Due after one year through five years	1,872,586	1,920,268
Due after five years through ten years	207,661	219,741
Total other long-term investments	\$ 3,117,579	\$ 3,259,205

Other long-term investments by geographic distribution:

	(Unaudited)		December 31,	
	September 30,	%	2022	%
	2023		2022	
California	\$ 420,509	13.5%	\$ 482,073	12.8%
Florida	254,669	8.2	305,478	8.1
Georgia	563,939	18.1	690,211	18.3
Indiana	96,185	3.1	149,263	4.0
Massachusetts	1,028,304	33.0	1,187,513	31.6
New York	398,806	12.8	514,540	13.7
Ohio	101,130	3.2	120,468	3.2
Oregon	69,072	2.2	89,932	2.4
Pennsylvania	184,965	5.9	223,533	5.9
Total	\$ 3,117,579	100.0%	\$ 3,763,011	100.0%

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2023
(Unaudited)

2. Investments (continued)

Mortgage Loans on Real Estate

The Company utilizes the ratio of the carrying value of individual mortgage loans compared to the individual appraisal value to evaluate the credit quality of its mortgage loans on real estate (commonly referred to as the loan-to-value ratio). Currently, all of the Company's mortgage loans are loans on residential properties. The Company's mortgage loans on real estate by credit quality using this ratio as of September 30, 2023 and December 31, 2022 are summarized as follows:

Loan-To-Value-Ratio	(Unaudited) September 30, 2023	December 31, 2022
80% to 90%	\$ 601,196	\$ 415,486
70% to 80%	3,664,078	4,917,690
60% to 70%	7,076,799	8,745,288
50% to 60%	2,234,181	2,241,720
Less than 50%	2,466,839	2,253,525
Total	<u>\$ 16,043,093</u>	<u>\$ 18,573,709</u>

Mortgage loans by geographic distribution:

State	(Unaudited) September 30, 2023	%	December 31, 2022	%
Alabama	\$ 1,428,624	8.9%	\$ 1,717,499	9.3%
Arkansas	-	-	210,194	1.1
Arizona	131,916	0.8	132,475	0.7
California	392,749	2.5	563,448	3.0
Colorado	151,298	0.9	152,158	0.8
Florida	1,573,194	9.8	1,505,508	8.1
Georgia	602,742	3.8	1,167,321	6.3
Illinois	501,814	3.1	732,223	3.9
Indiana	596,283	3.7	338,596	1.8
Kansas	-	-	189,100	1.0
Kentucky	720,592	4.5	220,057	1.2
Louisiana	590,218	3.7	874,216	4.7
Maryland	254,800	1.6	-	-
Michigan	-	-	182,941	1.0
Missouri	1,939,943	12.1	2,518,454	13.6
North Carolina	277,232	1.7	878,212	4.7
New Jersey	441,398	2.7	444,162	2.4
Ohio	265,277	1.7	-	-
Pennsylvania	528,813	3.3	607,020	3.3
South Carolina	506,990	3.2	628,601	3.4
Tennessee	1,910,437	11.9	3,572,294	19.2
Texas	3,173,749	19.8	1,439,182	7.8
Virginia	-	-	257,705	1.4
Wisconsin	55,024	0.3	242,343	1.3
Total	<u>\$ 16,043,093</u>	<u>100.0%</u>	<u>\$ 18,573,709</u>	<u>100.0%</u>

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2023
(Unaudited)

2. Investments (continued)

There was one mortgage loan with a principal balance of \$75,823 that was 90 days or more past due and still accruing interest as of September 30, 2023. This mortgage loan is in the process of foreclosure as of September 30, 2023. The Company expects to fully recover the principal balance outstanding plus any accrued interest along with all fees and expenses during the fourth quarter of 2023. There were 2 mortgage loans with principal balances of \$118,218 that were 90 days or more past due and still accruing interest as of December 31, 2022. The Company had a mortgage loan allowance of \$79,671 and \$92,777 as of September 30, 2023 and December 31, 2022, respectively.

	(Unaudited) September 30, 2023	December 31, 2022
Beginning of year: mortgage loan allowance balance	\$ 92,777	\$ 65,575
Current year change in provision of estimated mortgage loan losses	(13,106)	27,202
End of year: mortgage loan allowance balance	\$ 79,671	\$ 92,777

Major categories of net investment income for the three and nine months ended September 30, 2023 and 2022 are summarized as follows:

	(Unaudited)		(Unaudited)	
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Fixed maturity securities	\$ 68,050	\$ 77,001	\$ 234,176	\$ 240,160
Other long-term assets	53,652	66,612	216,158	187,159
Mortgage loans	319,195	283,821	914,635	860,686
Short-term and other investments	90,725	5,683	216,207	106,064
Gross investment income	531,622	433,117	1,581,176	1,394,069
Investment expenses	(14,041)	(12,216)	(33,964)	(164,857)
Net investment income	\$ 517,581	\$ 420,901	\$ 1,547,212	\$ 1,229,212

3. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) on the measurement date. The Company also considers the impact on fair value of a significant decrease in volume and level of activity for an asset or liability when compared with normal activity.

The Company holds fixed maturity securities that are measured and reported at fair market value on the statement of financial position. The Company determines the fair market values of its financial instruments based on the fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value, as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities. The Company has no Level 1 assets that would include securities traded in an active exchange market.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's Level 2 assets and liabilities include fixed maturity securities with quoted prices that are traded less frequently than exchange-traded instruments or assets and liabilities whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities and corporate debt securities.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
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3. Fair Value Measurements (continued)

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes investments where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

The Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into the three-level fair value hierarchy. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the valuation inputs, or their ability to be observed, may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting the levels of the fair value hierarchy are reported as transfers in and out of the specific level category as of the beginning of the period in which the reclassifications occur.

The Company's fair value hierarchy for those financial instruments measured at fair value on a recurring basis as of September 30, 2023 and December 31, 2022 are summarized as follows:

September 30, 2023 (Unaudited)	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available-for-sale				
Corporate bonds	\$ -	\$ 5,660,648	\$ -	\$ 5,660,648
U.S. Treasury securities	-	-	-	-
Total fixed maturity securities	\$ -	\$ 5,660,648	\$ -	\$ 5,660,648
December 31, 2022	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available-for-sale				
Corporate bonds	\$ -	\$ 6,667,400	\$ -	\$ 6,667,400
U.S. Treasury securities	-	1,469,790	-	1,469,790
Total fixed maturity securities	\$ -	\$ 8,137,190	\$ -	\$ 8,137,190

Fair values for Level 2 assets for the Company's fixed maturity securities available-for-sale are primarily based on prices supplied by a third-party investment service. The third-party investment service provides quoted prices which use observable inputs in developing such rates.

The Company analyzes market valuations received to verify reasonableness and to understand the key assumptions used and the sources. Since the fixed maturity securities owned by the Company do not trade on a daily basis, the third-party investment service prepares estimates of fair value measurements using relevant market data, benchmark curves, sector groupings, and matrix pricing. As the fair value estimates of the Company's fixed maturity securities are based on observable market information rather than market quotes, the estimates of fair value on these fixed maturity securities are included in Level 2 of the hierarchy. The Company's Level 2 investments include corporate bonds and U.S. treasury securities.

The Company's fixed maturity securities available-for-sale portfolio is highly liquid and allows for substantially all of the portfolio to be priced through pricing services.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
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(Unaudited)

3. Fair Value Measurements (continued)

Fair Value of Financial Instruments

The carrying amount and fair value of the Company's financial assets and financial liabilities disclosed, but not carried, at fair value as of September 30, 2023 and December 31, 2022 and the level within the fair value hierarchy at which such assets and liabilities are measured on a recurring basis are summarized as follows:

Financial Instruments Disclosed, But Not Carried, at Fair Value:

	September 30, 2023 (Unaudited)				
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets					
Cash and cash equivalents	\$ 10,004,645	\$ 10,004,645	\$ 10,004,645	\$ -	\$ -
Mortgage loans on real estate	16,043,093	13,764,002	-	-	13,764,002
Policy loans	15,163	15,163	-	-	15,163
Other long-term investments	3,117,579	3,259,205	-	-	3,259,205
Accrued investment income	201,819	201,819	-	-	201,819
Advances and notes receivable	71,897	71,897	-	-	71,897
Total financial assets	<u>\$ 29,454,196</u>	<u>\$ 27,316,731</u>	<u>\$ 10,004,645</u>	<u>\$ -</u>	<u>\$ 17,312,086</u>
Financial liabilities					
Policyholders' account balances	\$ 27,957,287	\$ 16,834,272	\$ -	\$ -	\$ 16,834,272
Policy claims and other benefits	640,217	640,217	-	-	640,217
Total financial liabilities	<u>\$ 28,597,504</u>	<u>\$ 17,474,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,474,489</u>
	December 31, 2022				
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets					
Cash and cash equivalents	\$ 4,417,837	\$ 4,417,837	\$ 4,417,837	\$ -	\$ -
Mortgage loans on real estate	18,573,709	17,151,922	-	-	17,151,922
Policy loans	21,496	21,496	-	-	21,496
Other long-term investments	3,763,011	4,011,887	-	-	4,011,887
Accrued investment income	216,677	216,677	-	-	216,677
Advances and notes receivable	66,006	66,006	-	-	66,006
Total financial assets	<u>\$ 27,058,736</u>	<u>\$ 25,885,825</u>	<u>\$ 4,417,837</u>	<u>\$ -</u>	<u>\$ 21,467,988</u>
Financial liabilities					
Policyholders' account balances	\$ 28,305,422	\$ 17,854,082	\$ -	\$ -	\$ 17,854,082
Policy claims and other benefits	650,182	650,182	-	-	650,182
Total financial liabilities	<u>\$ 28,955,604</u>	<u>\$ 18,504,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,504,264</u>

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment was required to interpret market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts which could be realized in a current market exchange. The use of different market assumptions or estimation methodologies may have a material effect on the fair value amounts.

The following methods and assumptions were used in estimating the fair value disclosures for financial instruments in the accompanying financial statements and notes thereto:

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
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(Unaudited)

3. Fair Value Measurements (continued)

Fixed Maturity Securities

The fair value of fixed maturity securities is based on the principles previously discussed as Level 1, Level 2 and Level 3.

Cash and Cash Equivalents, Policy loans, Accrued Investment Income and Advances and Notes Receivable

The carrying value of these financial instruments approximates their fair values due to the expected short-term nature until the cash settlement of these items. Cash and cash equivalents are included in Level 1 of the fair value hierarchy due to their highly liquid nature. Policy loans, accrued investment income, and advances and notes receivable are included in Level 3 of the fair value hierarchy due to little or no availability of market activity for these types of assets.

Mortgage loans on Real Estate

The Company's mortgage loan portfolio is comprised of residential properties with loan to appraised value ratios at or below 90%. The fair values for mortgage loans are estimated using discounted cash flow analyses. For residential mortgage loans, the discount rate used was indexed to the LIBOR yield curve adjusted for an appropriate credit spread.

Other Long-Term Investments

Other long-term investments are comprised of lottery prize receivables and fair value is derived by using a discounted cash flow approach. Projected cash flows are discounted using the average FTSE Pension Liability Index in effect at the end of each period.

Policyholders' Account Balances

The fair value for liabilities under investment-type insurance contracts (accumulation annuities) is calculated using a discounted cash flow approach. Cash flows are projected using actuarial assumptions and discounted to the valuation date using risk-free rates adjusted for credit risk and the nonperformance risk of the liabilities.

The fair values for insurance contracts other than investment-type contracts are not required to be disclosed.

Policy Claims and other benefits

The carrying amounts reported for these liabilities approximate their fair value.

4. Income Taxes

The Company files a consolidated return with its subsidiaries TRLS and AIS. The Company's other subsidiary TRLIC files a separate federal return for life insurance companies. TRLIC is taxed as a life insurance company under the provisions of the Internal Revenue Code. Life insurance companies must file separate tax returns until they have been a member of the consolidated filing group for five years. Certain items included in income reported for financial statement purposes are not included in taxable income for the current period, resulting in deferred income taxes.

Deferred tax assets and deferred tax liabilities are recognized based on temporary differences between the financial reporting and tax basis of assets and liabilities using statutory rates. A valuation allowance is recorded against deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized. The Company cannot currently conclude that it is more likely than not that the remaining deferred tax assets will be utilized. Therefore, the Company's deferred tax assets have been fully offset by a valuation allowance. As a result, our effective tax rate from continuing operations was zero percent for the quarter ended September 30, 2023. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences will become deductible. For the purpose of federal income tax, the Company has net operating loss carryforwards as of September 30, 2023, which expire between 2031 and 2037. Net operating losses generated in 2018 and beyond do not expire and annual utilizations are limited to 80% of taxable income. The Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law on March 27, 2020, repealed the 80 percent limitation for taxable years beginning before January 1, 2021.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2023
(Unaudited)

4. Income Taxes (continued)

The Company and its subsidiaries have no known uncertain tax benefits within its provision for income taxes. In addition, the Company does not believe it would be subject to any penalties or interest relative to any open tax years and, therefore, have not accrued any such amounts. The Company files U.S. federal income tax returns, income tax returns in various state jurisdictions, and franchise tax returns in the state of Texas. The 2020 through 2022 U.S. federal tax years are subject to income tax examination by tax authorities. The Company classifies any interest and penalties (if applicable) as income tax expense in the financial statements.

5. Concentrations of Credit Risk

The Company maintains cash and cash equivalents at multiple institutions. The Federal Deposit Insurance Corporation insures non-interest-bearing accounts up to \$250,000. Uninsured balances aggregate \$1,490,755 as of September 30, 2023. The Company monitors the solvency of all financial institutions in which it has funds to minimize the exposure for loss. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

6. Stock Incentive Plan

The Company's life subsidiary, TRLIC had an Agent Stock Incentive Plan ("ASIP"). The plan was approved in August 2018 by the Texas State Securities Board. The plan was suspended by the Company in April 2022. The plan awarded shares of Texas Republic Capital Corporation common stock to agents based on certain production levels achieved in sales of life and annuity products. Calculation of awards are based on production for the previous year ended and issued in the subsequent year. There have been no shares issued in 2023. 12,150 total shares were issued in 2022. The ASIP issued 7,150 of those shares in 2022 based on 2021 production. The Company granted 5,000 total shares in 2022 as part of employment agreements and/or bonuses to employees. In addition, the Company issued stock options to one of its employees at the beginning of 2023. The Company granted a share option of up to 5,000 shares of common stock to this individual. This option award will vest over a 5-year period of continuous service at a rate of 20% per year, and the exercise price is equal to zero.

7. Lease Commitment

The Company rents office space for its administrative operations under an agreement that expires in 2027. In determining the present value of lease payments, the Company uses its incremental borrowing rate obtained from its main commercial bank.

Future payments under operating lease arrangements accounted for under ASC Topic 842 as of September 30, 2023 are as follows:

2023	\$	24,161
2024		98,810
2025		101,773
2026		104,831
2027		98,723
Total operating lease payments, undiscounted	\$	428,298
Less: interest		(64,611)
Lease liability, at present value	\$	<u>363,687</u>

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Texas Republic Capital Corporation ("we", "us", "our", "TRCC" or the "Company") was incorporated in May 2012 as a financial services holding company. We own and operate insurance subsidiaries: a life insurance company, a life insurance agency, and a property & casualty insurance agency. We sell and issue life insurance products and annuity contracts as part of the insurance company. As an insurance provider, we collect premiums and annuity considerations in the current period to pay future benefits to our policy and contract holders. Currently, we only issue our products in the state of Texas. As a life insurance agency and a property & casualty insurance agency, we sell and place insurance products for other insurance carriers. If our life insurance company does not offer products that suit our client's needs, then we can meet their needs through other carrier products sold by our life agency. In addition, we have ability to cross-sell all current and prospective client's property and casualty insurance through the other agency, or the possibility of driving growth for the Company in other markets where participants are not seeking life insurance. The agencies collect commissions on the sale of those products.

We also realize revenues from our investment portfolio, which is a key component of our operations. The revenues and funds we collect as premiums and annuity considerations from policyholders are invested to ensure future benefit payments under the policy contracts. Life insurance companies earn profits on the investment spread, which reflects the investment income earned on the premiums and annuity considerations paid to the insurer between the time of receipt and the time benefits are paid out under our policies and contracts. Changes in interest rates, changes in economic conditions and volatility in the capital markets can all impact the amount of earnings that we realize from our investment portfolio.

The Company continues to incur overall losses since inception. These losses were fully expected, planned for, and fell within an expected range when considering the necessary start-up, infrastructure, distribution, and policy issuance costs of a new life insurance company. These losses have resulted from the costs incurred while raising capital and starting a new company, which involves investing in people, technology, infrastructure, marketing, brand awareness, distribution channels, regulatory and filing fees, legal costs, and other overhead expenses related to our operations. We expect to continue to incur operating losses until we achieve a volume of in-force life insurance policies that provide premiums and the associated investment income which are sufficient to cover our operating costs.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. On a continuing basis, we evaluate our estimates and assumptions.

We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following accounting policies, judgments and estimates are the most critical to the preparation of our consolidated financial statements.

Investments

Fixed maturity securities are comprised of bonds that are classified as available-for-sale and are carried at fair value with unrealized gains and losses, net of applicable income taxes, reported in accumulated other comprehensive income (loss). The amortized cost of fixed maturity securities available-for-sale is generally adjusted for amortization of premium and accretion of discount.

Interest income, as well as the related amortization of premium and accretion of discount, is included in net investment income under the effective yield method.

The Company monitors all fixed maturity securities on an on-going basis relative to changes in credit ratings, market prices, earnings trends and financial performance, in addition to specific region or industry reviews. The Company evaluates whether a credit impairment exists for fixed maturity securities by considering primarily the following factors: (a) changes in the financial condition of the security's underlying collateral; (b) whether the issuer is current on contractually obligated interest and principal payments; (c) changes in the financial condition, credit rating and near-term prospects of the issuer; and (d) the payment structure of the security. The Company's best estimate of expected future cash flows used to determine the credit loss amount is a quantitative and qualitative process. Quantitative review includes information received from third-party sources such as financial statements, pricing and rating changes, liquidity and other statistical information. Qualitative factors include judgments related to business strategies, economic impacts on the issuer, overall judgment related to estimates and industry factors as well as the Company's intent to sell the security, or if it is more likely than not that the Company would be required to sell a security before recovery of its amortized cost.

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The Company's best estimate of future cash flows involves assumptions including, but not limited to, various performance indicators, such as historical and projected default and recovery rates, credit ratings, and current delinquency rates. These assumptions require the use of significant management judgment and include the probability of issuer default and estimates regarding timing and amount of expected recoveries, which may include estimating the underlying collateral value. In addition, projections of expected future fixed maturity security cash flows may change based upon new information regarding the performance of the issuer. Any credit losses are presented as an allowance rather than as a write-down of available-for-sale fixed maturity securities, with the change in allowance reported in net loss on the consolidated statements of operations.

Purchases and sales of securities are recorded on a trade-date basis. Interest earned on investments is recorded on the accrual basis and is included in net investment income.

The Company's mortgage loan portfolio is comprised entirely of residential properties with loan to appraised value ratios below 90%. Mortgage loans are carried at amortized book value. A mortgage loan allowance has been established for any unforeseen losses using an industry approach. While we utilize our best judgment and information available, the ultimate adequacy of this allowance is dependent upon a variety of factors beyond our control, including the performance of the residential mortgage loan portfolio, the economy and changes in interest rates. Our allowance for possible mortgage loan losses consists of specific valuation allowances established for probable losses on specific loans and a portfolio reserve for probable incurred losses but not for specifically identified loans. The fair values for mortgage loans are estimated using discounted cash flow analysis. The discount rate used to calculate fair values was indexed to the LIBOR yield curve adjusted for an appropriate credit spread.

Policy loans are carried at unpaid principal balances. Interest income on policy loans is recognized in net investment income at the contract interest rate when earned.

The Company's other long-term investments are comprised of lottery prize cash flows holdings held at amortized cost. These investments are categorized as other long-term investments in the statement of financial position and are assignments of the future rights from lottery winners purchased at a discounted price. Payments on these investments are made by state run lotteries. Since state run lotteries are unlikely to default even in the most dire economic situations, no allowance for credit losses are necessary.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and money market instruments.

Deferred Policy Acquisition Costs

Costs that relate to and vary with the successful production of new business are deferred over life of the policy. Deferred acquisition costs (DAC) consist of commissions and policy issuance, underwriting and agency expenses. DAC expenses are amortized primarily over the premium-paying period of life policies and as profits emerge on the annuity products, using the same assumptions as were used in computing liabilities for future policy benefits.

Deferred Sales Inducement Costs

Sales inducement costs (SIC) are related to policy bonuses issued on some of the Company's annuity products. SIC is deferred at the issuance of the policy and amortized over the bonus period on a straight-line basis. The amount deferred is based on the difference between the fund value with the bonus and the fund value without the bonus.

Policyholders' Account Balances

The Company's liability for policyholders' account balances represents the contract value that has accrued to the benefit of the policyholder as of the financial statement date. This liability is generally equal to the accumulated account deposits plus applicable bonus and interest credited less policyholders' withdrawals and other charges assessed against the account balance. Interest crediting rates for individual annuities range from 1.55% to 5.50%.

Future Policy Benefits

Future policy benefit reserves have been computed by the net level premium method with assumptions as to investment yields, mortality and withdrawals based upon the Company's experience. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of policy liabilities and the increase in future policy benefit reserves. Management's judgments and estimates for future policy benefit reserves provide for possible unfavorable deviation. Actual experience may emerge differently from that originally estimated. Any such difference would be recognized in the current year's consolidated statement of operations.

Recently Adopted and Issued Accounting Pronouncements

Please refer to the applicable paragraphs in Note 1 of the Notes to Consolidated Financial Statements.

Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets ("DTAs") and deferred tax liabilities ("DTLs") for the expected future tax consequences of events that have been included in the financial statements. Under this method, we determine DTAs and DTLs on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on DTAs and DTLs is recognized in income in the period that includes the enactment date.

We recognize DTAs to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, carryback potential if permitted under the tax law, and results of recent operations. If we determine that we would be able to realize our DTAs in the future in excess of their net recorded amount, we would make an adjustment to the DTA valuation allowance, which would reduce the provision for income taxes.

We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Results of Operations – Three and Nine Months Ended September 30, 2023 and 2022**Revenues**

Revenues are primarily from life insurance premium income, investment income, and commission income. Realized gains and losses on investment holdings can significantly impact revenues from period to period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues				
Premiums and other considerations	\$ 606,336	\$ 451,366	\$ 1,906,986	\$ 1,388,895
Net investment income	517,581	420,901	1,547,212	1,229,212
Net realized gains on investments	3,027	-	3,027	17,635
Commission income	54,756	427,048	88,100	494,017
Total revenues	\$ 1,181,700	\$ 1,299,315	\$ 3,545,325	\$ 3,129,759

Total revenues decreased by \$117,615 and increased by \$415,566 for the three and nine months ended September 30, 2023 compared to the three and nine months ended September 30, 2022. These increases were primarily a result of increased new policy sales and additional investment income earned. There was a significant decrease in commission income compared to the prior year. The Company closed a large one-time commissionable case in the third quarter of 2022. This decrease caused an overall decrease for the three months ended September 30, 2023 compared to the prior year period. However, there was an increase in total revenues when comparing the full nine months of each year due to more months included in improvements of revenues to offset the decrease in commission income. The Company also accepted annuity considerations during 2023 and 2022. Annuity considerations contribute to additional net investment income through increased investments but are not classified as premiums and other considerations under total revenues for GAAP reporting.

Expenses

Our expenses relate to operating a financial services holding company, a life insurance company, and two insurance agencies.

Expenses were \$1,473,466 and \$4,791,796 for the three and nine months ended September 30, 2023, increases of \$250,994 and \$726,817 from \$1,222,472 and \$4,064,979 for the three and nine months ended September 30, 2022, respectively. Significant expense categories are discussed below.

Total Benefits and Claims – There was a decrease of \$43,179 and an increase of \$98,469 in total benefits and claims for the three and nine months ended September 30, 2023, respectively, compared to the same periods in the prior year. Expenses were \$392,071 and \$1,562,287 for the three and nine months ended September 30, 2023 and \$435,250 and \$1,463,818 for the three and nine months ended September 30, 2022, respectively. The increase for the full nine months was primarily due to an increase in interest credited to policyholders as increase in future policy benefits and death and other benefits both decreased. Death and other benefit payments can significantly impact expenses from period to period due to timing. That timing impact of death and other benefit payments is primarily the reason for the decrease in benefits and claims expense for the three months ended September 30, 2023, compared to the same period in the prior year.

Commissions – Commission expenses were \$415,551 and \$1,308,697 for the three and nine months ended September 30, 2023 compared to \$411,321 and \$1,185,922 for the three and nine months ended September 30, 2022, respectively. These increases are consistent with the amounts of new business issued and renewal commissions paid on previously issued business, net of any applicable commission recaptured. The commission in the first year of policy issuance is typically significantly greater than the subsequent years. Conversely, in subsequent years with lower renewal commission rates, the Company should realize additional profits on previously issued business as premiums collected will significantly outweigh any renewal commissions paid.

Salaries and Employee Benefits – Salary and employee benefits expense increased \$25,418 and \$290,577 for the three and nine months ended September 30, 2023 compared to the same periods in the prior year. These increases are primarily related to the increased costs associated with new employee hires, wage increases, and increasing benefits costs consistent with the price increases seen due to inflation pressures over the last year. The Company has hired several new employees since mid-2022 to keep up with our growth. Alternatively, the Company continues to use more external consultants as opposed to hiring new employees for certain tasks and roles. This decision allows us to save on benefit costs, payroll taxes, other employee overhead expenses, and allows us to pay for their time as needed. This decision has helped to reduce the overall increases in salaries and employee benefits.

Other Expenses – Third-party administration fees and professional fees continue to be two of the larger contributing expenses to the overall total expenses. The Company anticipates that these fees along with other general and administrative expenses will continue to increase over time due to new sales production, increased growth in the overall book of business, and the continued growth of the Company. The professional fees consist of public accounting firm fees, consulting actuarial fees, and the other external consultants mentioned above in the salaries and employee benefits section.

Net Loss

The net loss was \$1,246,471, or \$(0.08) per share, for the nine months ended September 30, 2023 compared to a net loss of \$935,220 or \$(0.06) per share, for the nine months ended September 30, 2022. For the three months ending September 30, the net loss was \$291,766 or \$(0.02) per share in 2023 compared to a net income of \$76,843 or \$0.01 per share in 2022. The increases of the net losses for the three and nine months ending September 30, 2023, was primarily attributable to the increases in revenues and expenses described above along with the significant decrease in commission income compared to the prior year of \$405,917. All else equal, if the \$405,917 decrease in commission income was removed from the comparison, then the Company would have seen a \$94,666 improvement in net loss for the nine months ended September 30, 2023 compared to the same period in the prior year.

The weighted average common shares outstanding and subscribed were 15,713,239 and 14,962,247 for the nine months ended September 30, 2023 and 2022, respectively. The weighted average common shares outstanding and subscribed were 15,798,375 and 15,242,473 for the three months ended September 30, 2023 and 2022, respectively.

Financial Position – As of September 30, 2023 and December 31, 2022

Total assets of the Company increased from \$40,255,138 as of December 31, 2022 to \$40,949,896 as of September 30, 2023, an increase of \$694,758. Assets that increased or decreased materially in 2023 were invested assets, cash and cash equivalents, deferred acquisition costs, and other assets.

Total investments decreased by \$5,658,923, or 18.6%. This decrease was primarily due to maturities and payoffs. As a result, cash and cash equivalents increased. All non-operating cash is held in interest bearing cash equivalent accounts.

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We continue to diversify the investment portfolio by our allocation strategy which should provide meaningful risk-adjusted increases to net investment income over the upcoming years and maximize total revenues. In addition, we continue to invest our excess cash in higher yielding investments as suitable options become available. As a result, net investment income increased by 25.9% for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022.

Policyholder liabilities include benefit reserves for both life and annuity policies, claim reserves, deposit funds and advance premiums. Policyholder liabilities decreased by \$228,125 at September 30, 2023 compared to December 31, 2022. That decrease is primarily due to a decrease in annuity policies as we focus more on life insurance production.

Total shareholders' equity of the Company increased from \$8,515,506 as of December 31, 2022 to \$9,361,916 as of September 30, 2023, an increase of \$846,410. The increase is mainly due to the additional capital raised during 2023. That increase was primarily offset by the net loss for the nine months ended September 30, 2023. There was a small negative change in net unrealized losses in the investment portfolio at September 30, 2023 compared to December 31, 2022 because of interest rate movements in the market.

Liquidity and Capital Resources

Since inception, our operations have been financed primarily through an organizational offering, four private placement offerings, an intrastate public stock offering, and a rights offering to existing shareholders only. Through September 30, 2023, we received \$26,950,710 from the sale of 15,894,282 shares and incurred offering costs of \$2,760,778. Since inception through December 31, 2018, the Company purchased 3,000 shares of the Company's common stock for \$15,000 held as treasury stock. Additionally, TRLIC has purchased another 111,000 shares of TRCC common stock at a cost of \$118,210 since 2018. The shares were purchased to compensate agents under TRLIC's Agent Stock Incentive Plan ("ASIP"). The Company has issued 16,080 treasury shares under the ASIP since inception of the plan and another 44,000 treasury shares as part of employment agreements and/or bonuses to employees. The remaining 50,920 shares held by TRLIC and the 3,000 shares held by TRCC total 53,920 shares. These shares are held as treasury shares in the consolidated financial statements.

We had cash and cash equivalents totaling \$10,004,645 as of September 30, 2023. The Company maintains cash and cash equivalents at multiple institutions. The Federal Deposit Insurance Corporation insures interest and non-interest-bearing accounts up to \$250,000. Uninsured balances aggregate \$1,490,755 as of September 30, 2023. Other funds are invested in mutual funds that invest in U.S. government securities. We monitor the solvency of all financial institutions in which we have funds to minimize the exposure for loss. The Company has not experienced any losses in such accounts.

Capital provided from the previous offerings and current offering will provide a considerable amount of operating funds for current and future operations of TRCC. The operations of TRLIC should provide ample cash flows from premium income and investment income to meet operating requirements once a sufficient book of business has been established, or new policy sales are turned off, whichever happens first. Life insurance contract liabilities are generally long term in nature and are generally paid from future cash flows. The operations of TRLS and AIS should provide sufficient cash flows from commission income to meet their operating requirements. TRLS and AIS are also less capital intensive than TRLIC since it does not retain any of the policy risks or capital requirements.

We believe that our existing cash and cash equivalents will be sufficient to fund our anticipated operating expenses and capital expenditures for at least the next 12 months. We have based this estimate upon assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. We are not aware of any commitments or unusual events that could materially affect our capital resources. We are not aware of any current recommendations by any regulatory authority which, if implemented, would have a material adverse effect on our liquidity, capital resources or operations.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking statements. The forward-looking statements are made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, and include estimates and assumptions related to economic, competitive and legislative developments. Forward-looking statements may be identified by words such as “expects,” “intends,” “anticipates,” “plans,” “believes,” “estimates,” “will” or words of similar meaning; and include, but are not limited to, statements regarding the outlook of our business and financial performance. These forward-looking statements are subject to change and uncertainty, which are, in many instances, beyond our control and have been made based upon our expectations and beliefs concerning future developments and their potential effect upon us.

There can be no assurance that future developments will be in accordance with our expectations, or that the effect of future developments on us will be as anticipated. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties. There are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements.

These factors include among others:

- general economic conditions and financial factors, including the performance and fluctuations of fixed income, equity, real estate, credit capital and other financial markets;
- differences between actual experience regarding mortality, morbidity, persistency, surrenders, investment returns, and our pricing assumptions establishing liabilities and reserves or for other purposes;
- the effect of increased claims activity from natural or man-made catastrophes, pandemic disease, or other events resulting in catastrophic loss of life;
- inherent uncertainties in the determination of investment allowances and impairments and in the determination of the valuation allowance on the deferred income tax asset;
- investment losses and defaults;
- competition in our product lines;
- attraction and retention of qualified employees and agents;
- ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks;
- the availability, affordability and adequacy of reinsurance protection;
- the effects of emerging claim and coverage issues;
- the cyclical nature of the insurance business;
- interest rate fluctuations;
- changes in our experiences related to deferred policy acquisition costs;
- the ability and willingness of counterparties to our reinsurance arrangements and derivative instruments to pay balances due to us;
- rating agencies’ actions;
- domestic or international military actions;
- the effects of extensive government regulation of the insurance industry;
- changes in tax and securities law;
- changes in statutory or U.S. generally accepted accounting principles (“GAAP”), practices or policies;
- regulatory or legislative changes or developments;
- the effects of unanticipated events on our disaster recovery and business continuity planning;
- failures or limitations of our computer, data security and administration systems;
- risks of employee error or misconduct;
- the introduction of alternative healthcare solutions;
- the assimilation of life insurance businesses we acquire and the sound management of these businesses; and
- the availability of capital to expand our business.

It is not our corporate policy to make specific projections relating to future earnings, and we do not endorse any projections regarding future performance made by others. In addition, we do not publicly update or revise forward-looking statements based on the outcome of various foreseeable or unforeseeable developments.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (“Certifying Officers”), has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934 as amended (“Exchange Act”) as of the end of the fiscal period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, the Certifying Officers have concluded that the Company’s disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is made known to management, including our Certifying Officers, as appropriate, to allow timely decisions regarding disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operating, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes to Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the third quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The Company sold 4,375,000 common shares at \$.02 per share to its organizing shareholders in May of 2012 for total proceeds of \$87,500. Subsequently, the Company completed three private placement stock offerings which raised \$10,249,000 through the issuance of 8,490,000 shares from the private placement offerings in 2012 and 2013, including a private placement of 2,000,000 shares for \$5,000,000 between February and November 2013. The Company incurred \$1,215,569 in offering costs to issue these shares. On May 31, 2022, the Company began a rights offering to existing shareholders only. The rights offering ended on September 30, 2022. Through this rights offering, the Company raised \$4,400,652 and incurred \$77,615 of offering costs through the sale of 733,442 shares of its common stock. At the beginning of 2023, the Company began another private placement stock offering which has raised \$2,203,073 and incurred \$23,467 of offering costs through the subscription of 293,743 shares of its common stock. These shares were sold in reliance on the exemption from the registration requirements of the Securities Act of 1933 (the “1933 Act”) contained in Securities and Exchange Commission (“SEC”) Regulation D, Rule 506. No underwriter was involved in connection with the issuance of these shares, and we paid no finder’s fees in the private placements.

On April 2, 2014, the Company commenced an offering of 5,000,000 shares of common stock at \$5.00 per share (\$25,000,000 maximum) with a 10% over sale provision, in an intrastate public offering registered with the Texas State Securities Board. This offering ended on April 2, 2017 and was sold only to Texas residents pursuant to an exemption from the 1933 Act contained in Section 3(a)(11) of the 1933 Act and Rule 147 promulgated by the SEC. It was sold by issuer agents registered with the Texas State Securities Board. The Company raised \$10,010,485 and incurred offering costs of \$1,444,127 from the sale of 2,002,097 shares in this offering.

Proceeds have been used for working capital and the capitalization of a life insurance company and other insurance agencies.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
32.1	Section 1350 Certification of Principal Executive Officer
32.2	Section 1350 Certification of Principal Financial Officer

101.INS**	Inline XBRL Instance
101.SCH**	Inline XBRL Taxonomy Extension Schema
101.CAL**	Inline XBRL Taxonomy Extension Calculation
101.DEF**	Inline XBRL Taxonomy Extension Definition
101.LAB**	Inline XBRL Taxonomy Extension Labels
101.PRE**	Inline XBRL Taxonomy Extension Presentation
104.FIL**	Inline XBRL Cover Page Interactive Data File
**XBRL	Information is furnished and not filed as part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

In accordance with requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS REPUBLIC CAPITAL CORPORATION

a Texas corporation

November 14, 2023

By: /s/ Timothy R. Miller
Timothy R. Miller, President and Chief Executive Officer

November 14, 2023

By: /s/ Shane S. Mitchell
Shane S. Mitchell, Chief Financial Officer, Secretary, Treasurer

CERTIFICATION

I, Timothy R. Miller, Chief Executive Officer, certify that:

1. I have reviewed this Quarterly report on Form 10-Q of Texas Republic Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant, and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter, the registrant's fourth quarter in the case of an annual report, that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

By: /s/ Timothy R. Miller

Timothy R. Miller, President and Chief Executive Officer

CERTIFICATION

I, Shane S. Mitchell, Chief Financial Officer, certify that:

1. I have reviewed this Quarterly report on Form 10-Q of Texas Republic Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant, and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter, the registrant's fourth quarter in the case of an annual report, that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

By: /s/ Shane S. Mitchell

Shane S. Mitchell, Chief Financial Officer, Secretary, Treasurer

EXHIBIT NO. 32.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. ss. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Texas Republic Capital Corporation, a Texas Corporation (the "Company"), hereby certifies that:

To my knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023

By: /s/ Timothy R. Miller

Timothy R. Miller, President and Chief Executive Officer

EXHIBIT NO. 32.2

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. ss. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Texas Republic Capital Corporation, a Texas Corporation (the "Company"), hereby certifies that:

To my knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023

By: /s/ Shane S. Mitchell

Shane S. Mitchell, Chief Financial Officer, Secretary, Treasurer