UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from _______________ to _______________

Commission File No. 000-55005

Vecta Inc.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**46-3001280** (I.R.S. Employer Identification Number)
One World Trade Center, Suite 8500, New York, NY (Address of Principal Executive Offices)	**10007** Zip Code

(Registrant's telephone number, including area code):
212-280-1000

Securities registered pursuant to Section 12(b) of the Act: None

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
(Not Applicable)	(Not Applicable)	(Not Applicable)

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.01 per share

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such 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 (§232.405 of this chapter) 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, a 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 provided pursuant to Section 13 (a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of November 10, 2023, there were 17,906,285 issued and outstanding shares of the Registrant’s Common Stock.

Vecta Inc.
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Part I. – Financial Information

Item 1. Financial Statements

VECTA INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	September 30, 2023 (Unaudited)	December 31, 2022
Assets		
Cash and cash equivalents	$ 9,636,346	$ 13,286,059
Certificates of deposit	250,000	250,000
Securities held to maturity, net	412,267	415,605
Securities available for sale, at fair value	28,932,645	33,735,037
Loans receivable, net	32,008,045	28,562,632
Premises and equipment, net	5,315,385	5,355,021
Federal Home Loan Bank of New York and other stock, at cost	134,100	139,100
Accrued interest receivable	421,884	398,389
Cash surrender value of life insurance	2,621,186	2,571,968
Goodwill	5,632,477	5,622,899
Core deposit intangible	1,218,357	1,323,792
Other assets	513,292	236,353
Total assets	$ 87,095,984	$ 91,896,855
Liabilities and Stockholder's Equity		
Liabilities:		
Deposits	$ 68,486,272	$ 74,555,554
Advances from borrowers for taxes and insurance	445,840	578,246
Other liabilities	761,351	445,644
Total liabilities	69,693,463	75,579,444
Commitments and contingencies		
Stockholder's equity:		
Serial preferred stock; par value $.01, 2,000,000 shares authorized, no shares issued or outstanding	-	-
Common stock; par value $.01, 100,000,000 shares authorized; 17,906,285 (September 30, 2023), 15,930,976 (December 31, 2022) shares issued and outstanding	179,063	159,310
Additional paid-in capital	21,045,910	18,565,663
Accumulated deficit	(802,702)	(202,722)
Accumulated other comprehensive loss	(3,019,750)	(2,204,840)
Total stockholder's equity	17,402,521	16,317,411

Total liabilities and stockholder's equity	$ 87,095,984	$ 91,896,855

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

VECTA INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months	Three Months	Nine Months	Four Months
	Ended September 30		Ended September 30	
	2023	2022	2023	2022
Interest and dividend income:				
Loans	$ 602,619	$ 369,489	$ 1,476,976	$ 473,212
Investment securities	125,653	166,391	376,626	216,413
Mortgage-backed securities	311,592	273,978	950,183	362,014
Federal funds sold and other earning assets	111,108	48,914	297,184	52,716
Total interest and dividend income	1,150,972	858,772	3,100,969	1,104,355
Interest expense:				
Deposits	178,866	49,945	422,886	66,594
Borrowings	-	-	-	1,149
Total interest expense	178,866	49,945	422,886	67,743
Net interest income	972,106	808,827	2,678,083	1,036,612
Provision for credit losses	25,768	7,136	38,668	9,538
Net interest income after provision for credit losses	946,338	801,691	2,639,415	1,027,074
Non-interest income:				
Fees and service charges	25,308	22,218	61,890	28,204
Income on bank owned life insurance	16,497	16,946	49,218	22,468
Total non-interest income	41,805	39,164	111,108	50,672
Non-interest expense:				
Compensation and benefits	664,464	407,082	1,892,558	523,597
Occupancy and equipment, net	105,980	80,067	293,927	103,605
Data processing service fees	133,537	103,156	363,256	130,734
Merger related expenses	-	538	-	19,702
Professional fees	99,944	124,900	343,290	233,117
Federal deposit insurance premiums	9,920	7,227	22,387	8,957
Amortization of core deposit intangible	35,145	35,145	105,435	46,860
Advertising and promotion	34,041	13,791	107,840	18,077
Other	71,538	59,625	206,238	82,952
Total non-interest expense	1,154,569	831,531	3,334,931	1,167,601
(Loss) income before income tax	(166,426)	9,324	(584,408)	(89,855)

Income tax expense (benefit)	7,953	1,072	15,572	(14,227)
Net (loss) income	(174,379)	$ 8,252	(599,980)	(75,628)
Basic and diluted net loss per share	$ (0.01)	$ -	$ (0.04)	$ (0.01)
Weighted average shares outstanding, basic and diluted	17,906,285	15,930,976	16,603,883	15,114,948

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

VECTA INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)

	Three Months	Three Months	Nine Months	Four Months
	Ended September 30		Ended September 30	
	2023	2022	2023	2022
Net loss	$ (174,379)	$ 8,252	$ (599,980)	$ (75,628)
Other comprehensive income (loss), before taxes:				
Defined benefit pension plan:				
Amortization of loss	18	-	52	-
Unrealized gains (losses) on securities available for sale:				
Unrealized holding gains (losses) arising during the period	(945,225)	(1,671,308)	(814,962)	(2,053,507)
Other comprehensive income (loss), before tax	(945,207)	(1,671,308)	(814,910)	(2,053,507)
Income tax expense (benefit) related to items of other comprehensive income (loss)	-	(350,974)	-	(431,236)
Other comprehensive income (loss), net of tax	(945,207)	(1,320,334)	(814,910)	(1,622,271)
Comprehensive loss	$ (1,119,586)	$ (1,312,082)	$ (1,414,890)	$ (1,697,899)

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

VECTA INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
(UNAUDITED)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity
Three Months Ended September 30, 2023					
Balance at June 30, 2023	$ 179,063	$ 21,045,910	$ (628,323)	$ (2,074,543)	$ 18,522,107
Net loss for the three months ended September 30, 2023	-	-	(174,379)	-	(174,379)
Net proceeds from the sale of common stock	-	-	-	-	-
Other comprehensive loss	-	-	-	(945,207)	(945,207)
Balance at September 30, 2023	$ 179,063	$ 21,045,910	$ (802,702)	$ (3,019,750)	$ 17,402,521
Nine Months Ended September 30, 2023					
Balance at December 31, 2022	$ 159,310	$ 18,565,663	$ (202,722)	$ (2,204,840)	$ 16,317,411
Net loss for the nine months ended September 30, 2023	-	-	(599,980)	-	(599,980)
Net proceeds from the sale of common stock	19,753	2,480,247	-	-	2,500,000
Other comprehensive income	-	-	-	(814,910)	(814,910)
Balance at September 30, 2023	$ 179,063	$ 21,045,910	$ (802,702)	$ (3,019,750)	$ 17,402,521

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

VECTA INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY (UNAUDITED)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity
Three months ended September 30, 2022					
Balance at June 30, 2022	$ 159,310	$ 18,565,663	$ (83,880)	$ (301,937)	$ 18,339,156
Net income for the three months ended September 30, 2022	-	-	8,252	-	8,252
Other comprehensive income (loss), net of tax	-	-	-	(1,320,334)	(1,320,334)
Balance at September 30, 2022	$ 159,310	$ 18,565,663	$ (75,628)	$ (1,622,271)	$ 17,027,074
Four months ended September 30, 2022					
Balance at June 1, 2022	$ -	$ -	$ -	$ -	$ -
Net loss for the four months ended September 30, 2022	-	-	(75,628)	-	(75,628)
Net proceeds from the sale of stock	159,310	18,565,663	-	-	18,724,973
Other comprehensive income (loss), net of tax	-	-	-	(1,622,271)	(1,622,271)
Balance at September 30, 2022	$ 159,310	$ 18,565,663	$ (75,628)	$ (1,622,271)	$ 17,027,074

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

VECTA INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30, 2023	Four Months Ended September 30, 2022
Cash flows from operating activities:		
Net loss	$ (599,980)	$ (75,628)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	125,608	48,180
Amortization of premiums and accretion of discounts, net	(469,026)	(225,332)
Amortization of deferred loan fees and costs, net	3,575	(30,998)
Amortization of core deposit intangible	105,435	46,860
Provision for credit losses	38,668	9,538
(Increase) decrease in accrued interest receivable	(23,495)	4,684
Increase in cash surrender value of life insurance	(49,218)	(22,468)
Increase in other assets	(286,517)	(138,972)
Increase in other liabilities	315,759	54,478
Net cash used in operating activities	(839,191)	(329,658)
Cash flows from investing activities:		
Repayments and maturities of securities held to maturity	3,162	1,459
Repayments and maturities of securities available for sale	4,292,450	7,936,998
Loans purchased	(1,153,712)	-
Loan originations, net of principal repayments	(2,163,838)	1,386,690
Purchase of premises and equipment	(85,972)	(6,980)
Redemption of FHLB stock	5,000	38,300
Cash paid for acquisition, net of cash acquired	-	(9,714,795)
Net cash provided by (used in) investing activities	897,090	(358,328)
Cash flows from financing activities:		
Net decrease in deposits	(6,075,206)	(3,925,949)
Net decrease in advances from borrowers for taxes and insurance	(132,406)	(137,965)
Repayment of long-term borrowings	-	(849,027)
Proceeds from sale of stock	2,500,000	18,724,973
Net cash (used in) provided by financing activities	(3,707,612)	13,812,032
Net (decrease) increase in cash and cash equivalents	(3,649,713)	13,124,046
Cash and cash equivalents at beginning of period	13,286,059	-
Cash and cash equivalents at end of period	$ 9,636,346	$ 13,124,046

Supplemental disclosures of cash flow information:

Cash paid for:		
Interest	$ 421,635	$ 69,306
Income taxes	$ 52,408	$ -

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

VECTA INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED) (CONT'D)

	Four Months Ended September 30, 2022
Supplemental schedule of non-cash investing activities:	
Acquisition:	
Non-cash assets acquired:	
Certificates of Deposit	$ 250,000
Securities Held to Maturity	418,301
Securities Available for Sale	48,838,559
Loans receivable, net	26,693,944
Premises and equipment	5,403,734
Federal Home Loan Bank of New York and other stock, at cost	177,400
Accrued interest receivable	386,128
Cash surrender value of life insurance	2,532,543
Goodwill	5,622,899
Core deposit intangible	1,405,797
Other assets	195,916
Total non-cash assets acquired	91,925,221
Liabilities assumed:	
Deposits	80,693,767
Borrowings	849,027
Advances from borrowers for taxes and insurance	406,459
Other liabilities	261,173
Total liabilities assumed	82,210,426
Net non-cash assets acquired	$ 9,714,795
Cash and cash equivalents acquired in acquisition, net	$ 4,510,178
Cash paid for acquisition, net of transaction costs	$ 14,224,973

The accompanying notes are an integral part of these condensed consolidated financial (unaudited).

VECTA INC. AND SUBSIDIARY
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Notes to Condensed Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate History, Nature of Business and Merger Acquisition

Vecta Inc. (formerly known as Sunnyside Bancorp, Inc.) ("Vecta", "Vecta Inc." or the "Company") was incorporated in the State of Maryland in March 2013 for the purpose of becoming the savings and loan holding company for Sunnyside Federal Savings and Loan Association of Irvington ("Sunnyside Federal" or the "Bank"), a federally-chartered savings and loan association founded in 1930, and the wholly-owned subsidiary of Vecta Inc. upon consummation of Sunnyside Federal's mutual to stock conversion. The Bank conversion was consummated in July 2013, at which time Sunnyside Bancorp, Inc. became the registered savings and loan holding company of the Bank. Prior to the Closing Date (as referenced below) of the Merger (as referenced below), other than holding all of the issued and outstanding stock of Sunnyside Federal and making a loan to the Sunnyside Federal's employee stock ownership plan, Vecta Inc. has not engaged in any material business.

On June 1, 2022 (the "Closing Date"), Vecta Partners LLC (formerly known as Rhodium BA Holdings LLC), a Delaware limited liability company ("Vecta Partners"), completed its acquisition of Vecta Inc., pursuant to the Agreement and Plan of Merger, dated as of June 16, 2021, as amended on August 26, 2021 (the "Merger Agreement"), by and among Vecta Partners, Rhodium BA Merger Sub, Inc., a Maryland corporation ("Merger Sub"), Mark Silber, Vecta Inc. and Sunnyside Federal. Pursuant to the Merger Agreement and subject to the terms and conditions thereof, on the Closing Date, Merger Sub merged with and into Vecta Inc. (the "Merger"), with Vecta Inc. continuing as the surviving corporation and a wholly-owned subsidiary of Vecta Partners.

The Merger was accounted for under the acquisition method of accounting and accordingly the results of Vecta Inc.'s operations were included in Vecta Inc.'s December 31, 2022 consolidated financial statements from the date of acquisition, or June 1, 2022.

On June 1, 2022, the Board of Directors of Vecta Inc. authorized and approved a 15-for-1 stock dividend to the existing shareholders of Vecta Inc. The 15-for-1 stock dividend was consummated on July 18, 2022.

On June 29, 2022, Vecta Partners made an additional capital contribution of $4.5 million to Vecta Inc. in exchange for 222,222 shares of Vecta Inc.'s common stock.

On July 18, 2022, Vecta Inc. also increased its authorized shares of common stock to 100,000,000 par value $0.01, and increased its authorized shares of preferred stock to 2,000,000 par value $0.01. As of September 30, 2023, Vecta Inc. had 17,906,285 shares of common stock outstanding and no shares of preferred stock outstanding.

On July 18, 2022, Vecta Inc. also amended its Articles of Incorporation to change its name from "Sunnyside Bancorp, Inc." to Vecta Inc. The name change was effected pursuant to the filing of Articles of Amendment to Vecta Inc.'s Articles of Incorporation with the Maryland State Department of Assessments and Taxation.

On June 30, 2023, Vecta Partners made an additional capital contribution of $2.5 million to Vecta Inc. in exchange for 1,975,309 shares of Vecta Inc.'s common stock.

Sunnyside Federal is a community-oriented savings institution whose primary business is accepting deposits from customers within its market area (Westchester County, New York) and investing those funds in mortgage loans secured by one-to-four family residences, multi-family and commercial real estate properties. To a lesser extent, funds are invested in commercial loans, small business administration ("SBA") loans, consumer loans and mortgage-backed securities and other securities. Customer deposits are insured up to applicable limits by the Federal Deposit Insurance Corporation ("FDIC"). As a federally-chartered savings association, Sunnyside Federal's primary regulator is the Office of the Controller of the Currency (the "OCC").

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Financial Statement Presentation

The unaudited consolidated financial statements of Vecta Inc. are comprised of the accounts of Vecta Inc., a registered bank holding company under the Bank Holding Company Act of 1956, and its wholly owned subsidiary, Sunnyside Federal. The accounting and reporting policies of Vecta conform to accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10-01 of Regulation S-X. Accordingly, they do not include all of the information and accompanying notes required by GAAP for complete financial statements. In the opinion of management, all adjustments necessary for a fair presentation of the financial position and the results of operations for the periods presented have been included in the consolidated financial statements. All intercompany balances and transactions have been eliminated in consolidation. Prior period amounts have been reclassified when necessary to conform to the current period's presentation. Such reclassifications did not have an impact on the operating results or financial position of Vecta. The operating results and financial position of Vecta for the three and nine months ended September 30, 2023 may not be indicative of future results of operations and financial position that may be expected for the current year ending December 31, 2023. The financial data presented herein should be read in conjunction with the audited consolidated finanical statements and accompanying notes as of and for the period from June 1, 2022 through December 31, 2022 included in the Annual Report on Form 10-K for the period ended December 31, 2022 ("2022 Form 10-K").

Significant Estimates:

In preparing the unaudited consolidated financial statements in conformity with GAAP, management has made estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of financial condition and results of operations for the periods indicated. Material estimates that are particularly susceptible to change in the near term are the allowance for credit losses ("ACL"), securities' valuation and evaluation for credit impairment, the evaluation of goodwill and other intangible assets for impairment and income taxes. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the consolidated financial statements in the period they are deemed necessary. While management uses its best judgment, actual amounts or results could differ significantly from those estimates. The current economic environment has increased the degree of uncertainty inherent in these material estimates. Actual results may differ from those estimates.

In making estimates, Vecta has evaluated events and transactions occurring subsequent to September 30, 2023, the balance sheet date, for items that could potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the issuance date of these consolidated financial statements.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's ACL. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

The disclosures below update and supplement the accounting policies previously disclosed in Note 1, "Summary of Significant Accounting Policies" included the 2022 Form 10-K and reflect the adoption of Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326): "Measurement of Credit Losses on Financial Instruments," by Vecta on January 1, 2023. ASU 2016-13 is also commonly referred to as Accounting Standards Codification ("ASC") 326 or Current Expected Credit Loss ("CECL") model.

ACL on Debt Securities:

Upon adoption of ASU 2016-13, management no longer evaluates securities for other than temporary impairment, as ASC Subtopic 326-30, "Financial Instruments—Credit Losses—Available-for-Sale Debt Securities," changes the accounting for recognizing impairment on available-for-sale debt securities. Each quarter management evaluates impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value. Management considers the nature of the collateral, potential future changes in collateral values, default rates, delinquency rates, third-party credit support, credit ratings, interest rate changes since purchase, volatility of the security's fair value and historical loss information for financial assets secured with similar collateral among other factors. Credit losses are calculated individually, rather than collectively, using a discounted cash flow ("DCF") method, whereby management compares the present value of expected cash flows with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance on available-for-sale debt securities is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance is recognized in other comprehensive (loss) income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Vecta's estimate of expected credit losses includes a measure of the expected risk of credit loss even if that risk is remote. However, Vecta does not measure expected credit losses on an investment security in which historical credit loss information adjusted for current conditions and reasonable and supportable forecast results is an expectation that nonpayment of the amortized cost basis is zero. Management does not expect nonpayment of the amortized cost basis to be zero solely on the basis of the current value of collateral securing the security but, instead, also considers the nature of the collateral, potential future changes in collateral values, default rates, delinquency rates, third-party guarantees, credit ratings, interest rate changes since purchase, volatility of the security's fair value and historical loss information for financial assets secured with similar collateral. Vecta performed an analysis that determined that the following securities have a zero expected credit loss: U.S. government agencies, mortgage-backed securities of U.S. government and government-sponsored agencies, as all of the U.S. government agencies and U.S. government agency backed securities have the full faith and credit backing of the United States Government or one of its agencies.

The allowance on available-for-sale debt securities may be in full or a portion thereof, and is recorded as an expense (credit) within the provision for credit losses on the consolidated statements of income. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale debt security is confirmed based on the above-described analysis. As of September 30, 2023, and January 1, 2023 (i.e. ASU 2016-13 adoption), there was no allowance established for Vecta's available-for-sale debt securities.

Loans:

Vecta reports loans and leases held for sale in the portfolio at amortized cost. Amortized cost is the principal balance outstanding net of the unamortized balance of any deferred fees or costs and the unamortized balance of any premiums or discounts on loans purchased through third-party originators.

Generally, for originated loans, loan fees and certain direct origination costs are deferred and amortized into interest income over the contractual term of the loan using the level-yield method over the estimated lives of the related loans. When a loan is paid off, the unamortized portion of deferred fees or costs are recognized in interest income. Interest income on originated loans is accrued based upon the daily principal amount outstanding except for loans on non-accrual status.

For purchased loans, interest income is accrued based upon the daily principal amount outstanding and is then further adjusted by the accretion of any discount or amortization of any premium associated with the loan that was recognized based on the acquisition date fair value. When a loan is paid off, the unamortized portion of any premiums or discounts on loans are recognized in interest income.

ACL on Loans:

An ACL is maintained at a level, to the best of management's knowledge, to cover all known and inherent losses in the portfolio that are both probable and reasonable to estimate. Management of the Company, in determining the provision for loan losses considers the risks inherent in its loan portfolio and changes in the nature and volume of its loan activities, along with the general economic and real estate market conditions.

On January 1, 2023, the Company adopted Financial Accounting Standards Board ("FASB") ASU 2016-13 Financial Instruments - Credit Losses ("Topic 326"), which replaced the incurred loss methodology for determining our allowance for credit losses and related provision for credit losses with an expected loss methodology that is referred to as the CECL model. CECL is a significant accounting estimate used in the preparation of the Company's consolidated financial statements. Upon adoption of ASU 2016-13, the Company replaced the incurred loss impairment model that recognizes losses when it becomes probable that a credit loss will be incurred, with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. CECL is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the allowance when they are deemed uncollectible. The allowance is comprised of reserves measured on a collective (pool) basis based on a lifetime loss-rate model when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis. Arriving at an appropriate level of credit losses involves a high degree of judgment. While management uses available information to recognize losses on loans, changing economic conditions and the economic prospects of the borrowers may necessitate future additions or reductions to the allowance.

<u>1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Cont'd)

Management has determined that peer loss experience provides the best basis for its assessment of expected credit losses to determine expected credit losses. The Company utilizes peer data to measure historical credit loss experience with similar risk characteristics within the segments over an economic cycle.

Management also considers certain qualitative factors in its evaluation of expected credit losses including lending practices, ability and experience of the credit staff, the overall lending environment and external factors such as the regulatory environment and competition.

Individually Evaluated Loans:

Prior to the adoption of ASU 2016-13 on January 1, 2023, a loan was individually evaluated when the loan was considered impaired. A loan was considered to be impaired when based on current information and events, it was probable that the Company would not be able to collect all amounts due from the borrower in accordance with the contractual terms of the loan, including scheduled interest payments.

With the adoption of ASU 2016-13, loans that do not share risk characteristics with existing pools are evaluated on an individual basis. The Company considers a loan to be collateral dependent when management has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and repayment of the financial asset is expected to be provided substantially through the operation or sale of the collateral. When repayment is expected to be from the operation of the collateral, the specific credit loss reserve is calculated as the amount by which the amortized cost basis of the financial asset exceeds the net present value ("NPV") from the operation of the collateral. When repayment is expected to be from the sale of the collateral, the specific credit loss reserve is calculated as the amount by which the amortized cost basis of the financial asset exceeds the fair value of the underlying collateral less estimated cost to sell. The allowance may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the financial asset.

Upon completion of the Merger on June 1, 2022, the Company recorded the fair value of loans which included the elimination of the allowance for loan losses and the establishment of a credit mark. For purposes of the credit mark, the loan portfolio was segregated into performing and non-performing loans. The credit component of total loans reflected an aggregate pre-tax discount of $895,330, comprised of adjustments to the loans based on Sunnyside Federal's historical charge-off history, charge-off statistics by type of loan published by the FDIC, Sunnyside Federal's internal allowance for loan and lease losses ("ALLL") analysis and the level of allowances for loan losses maintained by public New York-based financial institutions with assets less than $600 million, all of which provide indications of an estimated fair value adjustment a purchaser would apply to reflect the expected aggregate credit losses.

The credit mark is reduced by charge-offs and amortization based on the proportionate reduction in the principal of the loans acquired.

<u>Cash and Cash Equivalents</u>

For purposes of reporting cash flows, the Company considers all cash and amounts due from depository institutions and interest-bearing deposits in other depository institutions with original maturities of three months or less to be cash equivalents.

<u>Investment and Mortgage-Backed Securities</u>

Securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost. Securities classified as available-for-sale securities are reported at fair value, with unrealized holding gains or losses reported in stockholder's equity as accumulated other comprehensive income (loss). As of September 30, 2023, the Company had no securities classified as held for trading.

<u>1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Cont'd)

Premiums on securities are amortized to the earliest of call date or maturity and discounts on securities are amortized by use of the level-yield method, over the life of the individual securities. Gain or loss on sales of securities is based upon the specific identification method.

<u>Federal Home Loan Bank of New York Stock</u>

As a member of the Federal Home Loan Bank of New York ("FHLB"), the Company is required to acquire and hold shares of FHLB Class B stock. The holding requirement varies based on the Company's outstanding borrowings with the FHLB and residential loan balances. The investment in FHLB stock is carried at cost. The Company conducts a periodic review and evaluation of its FHLB stock to determine if any impairment exists.

<u>Premises and Equipment</u>

Premises and equipment are comprised of land, building, and furniture, fixtures, and equipment, at cost, less accumulated depreciation. Depreciation charges are computed on the straight-line method over the following estimated useful lives:

Building and improvements	5 to 40 years
Furniture, fixtures and equipment	2 to 10 years

<u>Bank-Owned Life Insurance</u>

Bank-owned life insurance ("BOLI") is accounted for in accordance with FASB ASC 325-30" Investments in Insurance Contracts". The cash surrender value of BOLI is recorded on the statement of financial condition as an asset and the change in the cash surrender value is recorded as non-interest income. The amount by which any death benefits received exceeds a policy's cash surrender value is recorded in non-interest income at the time of receipt. A liability is also recorded on the statement of financial condition for postretirement death benefits provided by the split-dollar endorsement policy. A corresponding expense is recorded in non-interest expense for the accrual of benefits over the period during which employees provide services to earn the benefits.

<u>Income Taxes</u>

Federal and state income taxes have been provided on the basis of reported income. The amounts reflected on the tax return differ from these provisions due principally to temporary differences in the reporting of certain items for financial reporting and income tax reporting purposes. The tax effect of these temporary differences is accounted as deferred taxes applicable to future periods. Deferred income tax expense or benefit is determined by recognizing deferred tax assets and liabilities for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. The realization of deferred tax assets is assessed and a valuation allowance provided, when necessary, for that portion of the asset which is not likely to be realized.

The Company accounts for uncertainty in income taxes recognized in the financial statements in accordance with accounting guidance which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the Company's evaluation, no significant income tax uncertainties have been identified. Therefore, the Company recognized no adjustment for unrecognized income tax benefits for the nine months ended September 30, 2023. The Company's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the statement of operations. The Company did not recognize any interest and penalties for the nine months ended September 30, 2023. The Company is subject to U.S. federal income tax, as well as income tax of the State of New York. The Company is no longer subject to examination by taxing authorities for years before 2020.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Employee Benefits

Defined Benefit Plans:

The accounting guidance related to retirement benefits requires an employer to: (a) recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year; and (c) recognize, in comprehensive income, changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. The accounting guidance requires that plan assets and benefit obligations be measured as of the date of the employer's fiscal year-end statement of financial condition.

401(k) Plan:

The Company has a 401(k) plan covering substantially all employees. The Company matches 50% of the first 6% contributed by participants and recognizes expense as its contributions are made.

Equity Incentive Plan:

The Company maintains an equity incentive plan (the "Stock Incentive Plan"). Stock options and restricted stock may be granted to directors, officers and other employees of the Company. The maximum number of shares which may be issued upon exercise of the options under the plan cannot exceed 1,190,250 shares. The maximum number of shares of stock that may be issued as restricted stock awards cannot exceed 357,075.

The Stock Incentive Plan will remain in effect as long as any awards under it are outstanding; however, no awards may be granted under the Stock Incentive Plan on or after the 10-year anniversary of the effective date of the Stock Incentive Plan or July 17, 2024. Under FASB ASC Topic 718, the Company will recognize compensation expense on its statement of operations over the requisite service period or performance period based on the grant date fair value of stock options and other equity-based compensation (such as restricted stock).

Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income (loss). Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, and the actuarial gains and losses of the pension plan, are reported as a separate component of the equity section of the statement of financial condition, such items, along with net income (loss), are components of comprehensive income (loss).

Concentration of Credit Risk and Interest-Rate Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, investment and mortgage-backed securities and loans. Cash and cash equivalents include amounts placed with highly rated financial institutions. Investment securities include securities backed by the U.S. Government and other highly rated instruments. The Company's lending activity is primarily concentrated in loans collateralized by real estate in the State of New York. As a result, credit risk is broadly dependent on the real estate market and general economic conditions in the State.

The Company is principally engaged in the business of attracting deposits from the general public and using these deposits, together with borrowings and other funds, to make loans secured by real estate in the State of New York.

The potential for interest-rate risk exists as a result of the shorter duration of the Company's interest-sensitive liabilities compared to the generally longer duration of interest-sensitive assets. In a rising rate environment, liabilities will reprice faster than assets, thereby reducing net interest income. For this reason, management regularly monitors the maturity structure of the Company's assets and liabilities in order to measure its level of interest-rate risk and to plan for future volatility.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Advertising Costs

It is the Company's policy to expense advertising costs in the period in which they are incurred. For the three and nine month periods ended September 30, 2023, the Company expensed advertising cost totaling $34,041 and $107,840, respectively. For the three and four months ended September 30, 2022, the Company expensed advertising cost totaling $13,791 and $18,077, respectively.

Goodwill

Intangible assets resulting from acquisitions under the acquisition method of accounting consist of goodwill and other intangible assets (see the section titled "Core Deposit Intangible" below). Goodwill represents the excess of the cost of businesses acquired over the fair value of the net assets acquired and is not amortized. The initial recording of goodwill and other intangible assets requires subjective judgments concerning estimates of the fair value of the acquired assets and assumed liabilities.

During the second quarter of 2023,Vecta performed the annual goodwill impairment test at its annual measurement date of May 31. The results of the 2023 annual impairment test under a qualitative analysis resulted in no triggering events that would more likely than not reduce the fair value Vecta's only reporting unit, Sunnyside Federal and require a formal quantitative impairment analysis.

Core Deposit Intangible

The core deposit intangible is the portion of an acquisition purchase price which represents value assigned to the existing deposit base and is amortized on a straight line basis over a ten year period.

Leases

The Company leases an office facility that is not significant. For operating leases other than those considered to be short-term, defined as leases of 12 months or less, the Company recognizes operating lease right-of-use ("ROU") assets and related lease liabilities at the time of lease commencement. ROU assets represent the Company's right to use the underlying asset for the lease term and the lease liabilities represent the Company's obligation to make lease payments under the leases. ROU assets and operating lease liabilities are reported as components of other assets and other liabilities, respectively, on our accompanying consolidated balance sheets. Leases with terms of 12 months or less are recognized in the income statement over the lease term.

In recognizing ROU assets and related lease liabilities, the Company accounts for lease and non-lease components (such as taxes, insurance, and common area maintenance costs) separately as such amounts are generally readily determinable under our lease contracts. To estimate the present value of lease payments over the expected lease term, the Company uses interest rates on advances from the FHLB at the time of commencement. The Company's lease term may include options to extend or terminate the leases when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term and is included in net occupancy expense in the consolidated statements of operations.

Durning the quarter ended March 31, 2023, the Company entered into one three year operating lease and recorded the present value of future lease payments of $173,000 as a ROU asset and liability in the Company's consolidated statements of financial condition. The balance of this ROU asset and liability was $144,000, at September 30, 2023. The expense related to this lease for the three and nine months ended September 30, 2023, was $15,000 and $35,000, respectively.

Business Combinations

Business combinations are accounted for under the acquisition method of accounting. Acquired assets, including separately identifiable intangible assets, and assumed liabilities are recorded at their acquisition-date estimated fair values. The excess of the cost of acquisition over these fair values is recognized as goodwill. During the measurement period, which cannot exceed one year from the acquisition date, changes to estimated fair values are recognized as an adjustment to goodwill. Certain transaction costs are expensed as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of shares of common stock. Diluted earnings (loss) per share is computed by adjusting the weighted average number of shares of common stock outstanding to include the effect of outstanding stock options and compensation grants, if dilutive, using the treasury stock method.

Recent Accounting Pronouncements

In March 2022, the FASB issued ASU 2022-02, Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02"). The amendments in ASU 2022-02 eliminate the accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs which includes an assessment of whether the creditor has granted a concession, an entity must evaluate whether the modification represents a new loan or a continuation of an existing loan.

The amendments enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. Additionally, for public business entities, ASU 2022-02 requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments Credit Losses-Measured at Amortized Cost in the vintage disclosures required by paragraph 326-20-50-6. ASU 2022-02 is effective for the Company for fiscal years beginning after December 15, 2022. The Company may elect to apply the updated guidance on TDR recognition and measurement by using a modified retrospective transition method, which would result in a cumulative-effect adjustment to retained earnings, or to adopt the amendments prospectively. The Company intends to elect to adopt the updated guidance on TDR recognition and measurement prospectively; therefore, the guidance will be applied to modifications occurring after the date of adoption. The amendments on TDR disclosures and vintage disclosures must be adopted prospectively. The adoption of this guidance on January 1, 2023 did not have a material impact on the Company's consolidated financial statements.

In June, 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses" (Topic 326), which introduces new guidance for the accounting for credit losses on instruments within its scope. The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale (AFS) debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. In April, 2019, FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses". ASU 2019-04 made amendments to the following categories in ASU 2016-13 which include Accrued interest, transfers between classifications or categories for loans and debt securities, recoveries, reinsurance recoverables, projections of interest rate environments for variable-rate financial instruments, costs to sell when foreclosure is probable, consideration of expected prepayments when determining the effective interest rate, vintage disclosures and extension and renewal options. In May, 2019, FASB issued ASU 2019-05, "Financial Instruments –Credit Losses (Topic 326); Targeted Transition Relief", ASU 2019-05 allows the Company to irrevocably elect, upon adoption of ASU 2016-13, the fair value option on financial instruments that (1) were previously recorded at amortized cost and (2) are within the scope of Topic 326 if the instruments are eligible for the fair value option under authoritative guidance for fair value. The fair value option election does not apply to held-to-maturity debt securities. We are required to make this election on an instrument-by-instrument basis. This ASU was effective for public business entities that are a smaller reporting company in fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of this guidance on January 1, 2023 did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350)—Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairments by eliminating the requirement to compare the implied fair value of goodwill with its carrying amount as part of step two of the goodwill impairment test referenced in ASC 350, Intangibles - Goodwill and Other ("ASC 350"). As a result, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. However, the impairment loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04, as amended, was effective for annual reporting periods beginning after December 15, 2022. The adoption of this guidance on January 1, 2023 did not have a material impact on the Company's consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Subsequent Events

The Company evaluated its September 30, 2023 unaudited condensed consolidated financial statements for subsequent events through the date the unaudited condensed consolidated financial statements were issued and has determined that there are no subsequent events that require accounting or disclosure.

2. BUSINESS COMBINATION

On June 1, 2022, Vecta Partners completed its acquisition of Vecta Inc. pursuant to the Merger Agreement, by and among Vecta Partners, Merger Sub, Mark Silber, Vecta Inc. and Sunnyside Federal. Pursuant to the Merger Agreement and subject to the terms and conditions thereof, on the Closing Date, Merger Sub merged with and into Vecta Inc., with Vecta Inc continuing as the surviving corporation and a wholly-owned subsidiary of Vecta Partners.
Under the terms of the Merger Agreement, as of the Closing Date and as a result of the Merger, Vecta Partners acquired all of the outstanding common stock of Vecta Inc. at a price of $20.25 per share in cash. The aggregate value of the Merger consideration was approximately $15.3 million.

The Merger was accounted for under the acquisition method of accounting and accordingly the results of the Company's consolidated operations have been included in the Company's December 31, 2022 consolidated financial statements from the Closing Date of the Merger, or June 1, 2022.

The following table sets forth assets acquired, and liabilities assumed in connection with the Merger, at their estimated fair values as of the Closing Date of the Merger:

	(In thousands)
Assets acquired:	
Cash and cash equivalents	$ 4,510
Certificates of deposit	250
Securities held to maturity	418
Securities available for sale	48,839
Loans receivable, net	26,694
Premises and equipment	5,404
Federal Home Loan Bank of New York and other stock, at cost	177
Accrued interest receivable	386
Cash surrender value of life insurance	2,533
Goodwill	5,623
Core deposit intangible	1,406
Other assets	195
Total assets Acquired	96,435
Liabilities assumed:	
Deposits:	
Non-interest bearing	7,795
Savings, NOW and money market	47,863
Time deposits	25,036
Total deposits	80,694
Borrowings	849
Advances from borrowers for taxes and insurance	406

Other liabilities	262
Total liabilities assumed	82,211
Net assets acquired	14,224
Transaction cost, net	1,042
Price paid	$ 15,266

2. BUSINESS COMBINATION (Cont'd)

The determination of the fair value of the assets acquired and liabilities assumed required management to make estimates about discount rates, future expected cash flows, market conditions, and other future events that are highly subjective in nature and subject to change. The fair value estimates are subject to change for up to one year after the closing date of the transaction if additional information (existing at the date of closing) relative to closing date fair values becomes available.

Fair Value Measurement of Assets Acquired and Liabilities Assumed:

Described below are the methods used to determine the fair values of the significant assets acquired and liabilities assumed in this acquisition.

Cash and cash equivalents **-** The estimated fair values of cash and cash equivalents approximate their stated face amounts, as these financial instruments are either due on demand or have short-term maturities.

Investment securities **-** The investment securities acquired were classified as either "available for sale" or "held to maturity" based on the Company's intent at the acquisition date. The estimated fair values of the investment securities were calculated utilizing Level 2 inputs similar to the valuation techniques used for Vecta's investment portfolios detailed in Note 11.

Loans - The fair value of the performing loan portfolio includes both a yield component and a credit component. The yield component utilizes a discounted cash flow analysis, including prepayment speed assumptions, to compare the difference between the present values of projected cash flows of the loan portfolio at portfolio rates versus cash flows at current market rates. The yield component reflected a pre-tax discount of $405,796, which will be accreted as a net increase in interest income over the lives of the related loans. For purposes of the credit adjustment, the loan portfolio was segregated into performing and non-performing loans. The credit component of total loans reflected an aggregate pre-tax discount of $895,330, comprised of adjustments to the loans based on Sunnyside Federal's historical charge-off history, charge-off statistics by type of loan published by the FDIC, Sunnyside Federal's internal allowance for loan and lease losses ("ALLL") analysis and the level of allowances for loan losses maintained by public New York-based financial institutions with assets less than $600 million, all of which provide indications of an estimated fair value adjustment a purchaser would apply to reflect the expected aggregate credit losses.

Core Deposit Intangible - Core deposit intangibles (CDI) are measures of the value of non-maturity checking, savings, NOW and money market customer deposits that are acquired in a business combination. The fair value for CDI was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, net maintenance cost of the deposit base, alternative costs of funds, and the interest costs associated with the customer deposits. The CDI is amortized over an estimated useful life of 10 years to approximate the existing deposit relationships acquired.

Premises and equipment- The fair value of the office building and land was based on an appraisal using the income approach.

Deposits - The fair values of deposit liabilities with no stated maturity (i.e., non-interest bearing accounts and savings, NOW and money market accounts) are equal to the carrying amounts payable on demand. The fair values of certificates of deposit represent contractual cash flows, discounted to present value using interest rates currently offered on deposits with similar characteristics and remaining maturities

3. LIQUIDATION ACCOUNT

On July 15, 2013, the Bank completed a mutual-to-stock conversion and in accordance with applicable federal conversion regulations, at the time of the completion of the mutual-to-stock conversion, the holding company, Sunnyside Bancorp Inc., now Vecta Inc. established a liquidation account in the Bank in an amount equal to the Bank's total retained earnings as of the latest balance sheet date in the final prospectus used in the Conversion. Each eligible account holder or supplemental account holder is entitled to a proportionate share of this liquidation account in the event of a complete liquidation of the Bank, and only in such event. This share is reduced if the eligible account holder's or supplemental account holder's deposit balance falls below the amounts on the date of record as of any December 31 and will cease to exist if the account is closed. The liquidation account will never be increased despite any increase after conversion in the related deposit balance. The Company may not declare, pay a dividend on, or repurchase any of its capital stock, if the effect thereof would cause its capital to be reduced below the liquidation account amount or regulatory capital requirements.

4. CERTIFICATES OF DEPOSIT

	September 30, 2023	December 31, 2022
Maturing in:		
After one to five years	$ 250,000	$ 250,000

5. SECURITIES

	September 30, 2023			
	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
Securities held to maturity:				
State, county, and municipal obligations	$ 350,023	$ -	$ 29,967	$ 320,056
Mortgage-backed securities	62,244	-	2,458	59,786
	$ 412,267	$ -	$ 32,425	$ 379,842
Securities available for sale:				
U.S. government and agency obligations	$ 13,052,196	$ -	$ 1,599,195	$ 11,453,001
Mortgage-backed securities	18,689,575	-	1,209,931	17,479,644
	$ 31,741,771	$ -	$ 2,809,126	$ 28,932,645

	December 31, 2022			
	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
Securities held to maturity:				
State, county, and municipal obligations	$ 350,226	$ -	$ 6,720	$ 343,506
Mortgage-backed securities	65,379	-	2,320	63,059
	$ 415,605	$ -	$ 9,040	$ 406,565
Securities available for sale:				
U.S. government and agency obligations	$ 12,862,316	$ -	$ 1,193,169	$ 11,669,147
Mortgage-backed securities	22,866,886	239	801,235	22,065,890
	$ 35,729,202	$ 239	$ 1,994,404	$ 33,735,037

Mortgage-backed securities consist of securities guaranteed by Ginnie Mae, Fannie Mae and Freddie Mac with amortized costs of $224,000, $4.6 million and $7.3 million, at September 30, 2023 ($256,000, $5.2 million and $8.0 million, at December 31, 2022). Mortgage-backed securities also include other commercial mortgage-backed securities totaling $6.5 million at September 30, 2023 ($9.5 million at December 31, 2022).

There were no sales of securities held to maturity or available for sale for the three and nine months ended September 30, 2023, and the for the three and four months ended September 30, 2022.

5. SECURITIES (Cont'd)

The following is a summary of the amortized cost and fair value of securities at September 30, 2023 and December 31, 2022 by remaining period to contractual maturity. Actual maturities may differ from these amounts because certain debt security issuers have the right to call or redeem their obligations prior to contractual maturity. In addition, mortgage backed securities that amortize monthly are listed in the period the security is legally set to pay off in full.

	September 30, 2023			
	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$ -	$ -	$ 2,599,993	$ 2,592,170
After one to five years	-	-	5,990,921	5,897,072
After five to ten years	-	-	6,685,387	5,941,034
After ten years	412,267	379,842	16,465,470	14,502,369
	$ 412,267	$ 379,842	$ 31,741,771	$ 28,932,645

	December 31, 2022			
	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$ -	$ -	$ 2,598,318	$ 2,589,582
After one to five years	-	-	8,953,594	8,820,721
After five to ten years	-	-	6,861,502	6,303,252
After ten years	415,605	406,565	17,315,788	16,021,482
	$ 415,605	$ 406,565	$ 35,729,202	$ 33,735,037

The following tables summarize the fair values and unrealized losses of securities with an unrealized loss at September 30, 2023 and December 31, 2022, segregated between securities that have been in an unrealized loss position for less than one year, or one year or longer, at the respective dates.

	September 30, 2023			
	Under One Year		One Year or More	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Securities held to maturity:				
State, county, and municipal obligations	$ 320,056	$ 29,967	$ -	$ -
Mortgage-backed securities	-	-	59,786	2,458
	320,056	29,967	59,786	2,458

Securities available for sale:				
U.S. government and agency obligations	-	-	11,453,001	1,599,195
Mortgage-backed securities	131,547	1,454	17,348,096	1,208,477
	131,547	1,454	28,801,097	2,807,672
	$ 451,603	$ 31,421	$ 28,860,883	$ 2,810,130

5. SECURITIES (Cont'd)

	December 31, 2022			
	Under One Year		One Year or More	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Securities held to maturity:				
State, county, and municipal obligations	$ 343,506	$ 6,720	$ -	$ -
Mortgage-backed securities	63,059	2,320	-	-
	406,565	9,040	-	-
Securities available for sale:				
U.S. government and agency obligations	11,669,147	1,193,169	-	-
Mortgage-backed securities	21,946,311	801,235	-	-
	33,615,458	1,994,404	-	-
	$ 34,022,023	$ 2,003,444	$ -	$ -

The unrealized losses are primarily due to changes in market interest rates subsequent to purchase. A total of 46 securities were in an unrealized loss position at September 30, 2023 (45 at December 31, 2022). The Company generally purchases securities issued by Government Sponsored Enterprises ("GSE"). Accordingly, it is expected that the GSE securities would not be settled at a price less than the Company's amortized cost basis.

The Company does not consider these investments to be other-than-temporarily impaired at September 30, 2023 and at December 31, 2022 since the decline in market value is attributable to changes in interest rates and not credit quality and the Company has the intent and ability to hold these investments until there is a full recovery of the unrealized loss, which may be at maturity.

At September 30, 2023 and December 31, 2022, securities available for sale with a carrying value of approximately $3.3 million and $3.6 million, have been pledged to secure advances from the FHLB.

6. LOANS RECEIVABLE, NET

	September 30, 2023	December 31, 2022
Mortgage loans:		
Residential 1-4 family	$ 8,813,771	$ 9,676,089
Commercial and multi-family	19,799,081	16,438,436
Home equity lines of credit	25,471	170,468
	28,638,323	26,284,993
Other loans:		
Passbook	1,791	5,789
Student	1,871,487	2,337,460
Commercial	2,557,700	1,164,210
	4,430,978	3,507,459
Total loans	33,069,301	29,792,452
Less:		
Purchase Accounting Credit Adjustment	554,089	774,063
Purchase Accounting Discount	330,566	373,626
Deferred loan fees (costs and premiums), net	24,135	2,841
Allowance for credit losses	152,466	79,290
	1,061,256	1,229,820
	$ 32,008,045	$ 28,562,632

In the ordinary course of business, the Company makes loans to its directors, executive officers, and their associates (related parties) on the same terms as those prevailing at the time of origination for comparable loans with other borrowers. The unpaid principal balances of related party loans were approximately $89,000 and $98,000 at September 30, 2023 and at December 31, 2022 respectively.

As a result of the acquisition of Sunnyside Federal, the loan portfolio was segregated into performing and non-performing loans to determine the credit adjustment. The credit component of total loans reflected an aggregate original pre-tax discount of $895,330, comprised of adjustments to the loans based on Sunnyside Federal's historical charge-off history, charge-off statistics by type of loan published by the FDIC, Sunnyside Federal's internal ACL analysis and the level of ACL maintained by public New York-based financial institutions with assets less than $600 million, all of which provide indications of an estimated fair value adjustment a purchaser would apply to reflect the expected aggregate credit losses.

Activity in this credit adjustment is summarized as follows:

	Three months ended September 30, 2023
Balance at beginning of period	$ 647,727
Amortization	(60,387)
Charge -offs	(33,251)

Balance at end of period	$	554,089

	Nine months ended September 30, 2023	
Balance at beginning of period	$	774,063
Amortization		(127,046)
Charge -offs		(92,928)
Balance at end of period	$	554,089

In addition to the above credit adjustment, the Company maintains an ACL for new loans originated subsequent to the Merger and for qualitative changes in the existing loan portfolio.

<u>6. LOANS RECEIVABLE, NET</u> (Cont'd)

Activity in the ACL is summarized as follows:

		Three months ended September 30, 2023
Balance at beginning of period	$	120,468
Provision for credit losses		25,768
Recoveries		6,230
Balance at end of period	$	152,466

		Nine months ended September 30, 2023
Balance at beginning of period	$	79,290
Provision for credit losses		38,668
Recoveries		34,508
Balance at end of period	$	152,466

An ACL is maintained at a level, to the best of management's knowledge, to cover all known and inherent losses in the portfolio that are both probable and reasonable to estimate. Management of the Company, in determining the ACL considers the risks inherent in its loan portfolio and changes in the nature and volume of its loan activities, along with the general economic and real estate market conditions.

On January 1, 2023, the Company adopted FASB ASU 2016-13 Financial Instruments - Credit Losses ("Topic 326"), which replaced the incurred loss methodology for determining our allowance for credit losses and related provision for credit losses with an expected loss methodology that is referred to as the CECL model. CECL is a significant accounting estimate used in the preparation of the Company's consolidated financial statements. Upon adoption of ASU *2016-13,* the Company replaced the incurred loss impairment model that recognizes losses when it becomes probable that a credit loss will be incurred, with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. CECL is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the allowance when they are deemed uncollectible. The allowance is comprised of reserves measured on a collective (pool) basis based on a lifetime loss-rate model when similar risk characteristics exist. Loans that do *not* share risk characteristics are evaluated on an individual basis. Arriving at an appropriate level of credit losses involves a high degree of judgment. While management uses available information to recognize losses on loans, changing economic conditions and the economic prospects of the borrowers may necessitate future additions or reductions to the allowance.

Management has determined that peer loss experience provides the best basis for its assessment of expected credit losses to determine expected credit losses. The Company utilizes peer data to measure historical credit loss experience with similar risk characteristics within the segments over an economic cycle.

<u>6. LOANS RECEIVABLE, NET</u> (Cont'd)

Management also considers certain qualitative factors in its evaluation of expected credit losses including:

1. Lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices.

2. National, regional, and local economic and business conditions including the value of underlying collateral for collateral dependent loans.

3. Nature and volume of the portfolio and terms of loans.

4. Experience, ability, and depth of lending management and staff and the quality of the Company's loan review system.

5. Volume and severity of past due, classified and nonaccrual loans.

6. Existence and effect of any concentrations of credit and changes in the level of such concentrations.

7. Effect of external factors, such as competition and legal and regulatory requirements.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for credit loss calculation.

Individually Evaluated Loans: Prior to the adoption of ASU *2016-13* on January 1, 2023*,* a loan was individually evaluated when the loan was considered impaired. A loan was considered to be impaired when based on current information and events, it was probable that the Company would *not* be able to collect all amounts due from the borrower in accordance with the contractual terms of the loan, including scheduled interest payments.

With the adoption of ASU *2016-13,* loans that do not share risk characteristics with existing pools are evaluated on an individual basis. The Company considers a loan to be collateral dependent when management has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and repayment of the financial asset is expected to be provided substantially through the operation or sale of the collateral. When repayment is expected to be from the operation of the collateral, the specific credit loss reserve is calculated as the amount by which the amortized cost basis of the financial asset exceeds the NPV from the operation of the collateral. When repayment is expected to be from the sale of the collateral, the specific credit loss reserve is calculated as the amount by which the amortized cost basis of the financial asset exceeds the fair value of the underlying collateral less estimated cost to sell. The allowance may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the financial asset.

Upon completion of the merger on June 1, 2022, the Company recorded the fair value of loans which included the elimination of the Allowance for Loan Losses and the establishment of a credit mark. For purposes of the credit mark, the loan portfolio was segregated into performing and non-performing loans. The credit component of total loans reflected an aggregate pre-tax discount of $895,330, comprised of adjustments to the loans based on Sunnyside Federal's historical charge-off history, charge-off statistics by type of loan published by the FDIC, Sunnyside Federal's internal ALLL analysis and the level of allowances for loan losses maintained by public New York-based financial institutions with assets less than $600 million, all of which provide indications of an estimated fair value adjustment a purchaser would apply to reflect the expected aggregate credit losses.

The credit mark is reduced by charge-offs and amortization based on the proportionate reduction in the principal of the loans acquired.

6. LOANS RECEIVABLE, NET (Cont'd)

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated when credit deficiencies arise, such as delinquent loan payments. Credit quality risk ratings include regulatory classifications of pass, special mention, substandard, doubtful and loss.

Loan classifications are defined as follows:

- Pass — These loans are well protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral in a timely manner.

- Special Mention — These loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects.

- Substandard — These loans are inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

- Doubtful — These loans have all the weaknesses inherent in a loan classified substandard with the added characteristic that the weaknesses make the full recovery of our principal balance highly questionable and improbable on the basis of currently known facts, conditions, and values. The likelihood of a loss on an asset or portion of an asset classified as doubtful is high. Its classification as Loss is not appropriate, however, because pending events are expected to materially affect the amount of loss.

- Loss — These loans are considered uncollectible and of such little value that a charge-off is warranted. This classification does not necessarily mean that an asset has no recovery or salvage value; but rather, there is much doubt about whether, how much, or when the recovery will occur.

One of the primary methods the Company uses as an indicator of the credit quality of its portfolio is the regulatory classification system. The following table reflects the credit quality indicators by portfolio segment and class, at the dates indicated:

	September 30, 2023					
	Mortgage Loans					
	Residential 1-4 Family	Commercial Real Estate and Multi-Family	Home Equity	Student	Commercial and Other	Total
	(In thousands)					
Pass	$ 8,814	$ 19,799	$ 25	$ 1,810	$ 2,560	$ 33,008
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	61	-	61
Total	$ 8,814	$ 19,799	$ 25	$ 1,871	$ 2,560	$ 33,069

6. LOANS RECEIVABLE, NET (Cont'd)

	December 31, 2022					
	Mortgage Loans					
	Residential 1-4 Family	Commercial Real Estate and Multi-Family	Home Equity	Student	Commercial and Other	Total
	(In thousands)					
Pass	$ 9,676	$ 14,497	$ 170	$ 2,132	$ 1,170	$ 27,645
Special Mention	-	767	-	137	-	904
Substandard	-	1,174	-	69	-	1,243
Total	$ 9,676	$ 16,438	$ 170	$ 2,338	$ 1,170	$ 29,792

The following table provides information about loan delinquencies at the dates indicated:

	September 30, 2023						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current Loans	Total Loans	90 Days or More Past Due and Accruing
	(In thousands)						
Residential 1-4 family	$ -	$ -	$ -	$ -	$ 8,814	$ 8,814	$ -
Commercial real estate and multi-family	-	-	-	-	19,799	19,799	-
Home equity lines of credit	-	-	-	-	25	25	-
Student	43	-	-	43	1,828	1,871	-
Commercial and other	-	-	-	-	2,560	2,560	-
	$ 43	$ -	$ -	$ 43	$ 33,026	$ 33,069	$ -

	December 31, 2022						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current Loans	Total Loans	90 Days or More Past Due and Accruing
	(In thousands)						
Residential 1-4 family	$ -	$ -	$ -	$ -	$ 9,676	$ 9,676	$ -
Commercial real estate and multi-family	-	-	234	234	16,204	16,438	-
Home equity lines of credit	-	-	-	-	170	170	-
Student	134	38	-	172	2,166	2,338	-
Commercial and other	-	-	-	-	1,170	1,170	-

$ 134	$ 38	$ 234	$ 406	$ 29,386	$ 29,792	$ -

6. LOANS RECEIVABLE, NET (Cont'd)

The following is a summary of loans, by loan type, on which the accrual of income has been discontinued and loans that are contractually past due 90 days or more but have not been classified as non-accrual at the dates indicated:

	September 30, 2023	December 31, 2022
	(In thousands)	
Non-accrual loans:		
Residential 1-4 family	$ -	$ -
Commercial real estate and multi-family	-	234
Home equity lines of credit	-	-
Student	61	69
Commercial and other	-	-
Total non-accrual loans	61	303
Accruing loans delinquent 90 days or more	-	-
Total non-performing loans	$ 61	$ 303

The total amount of interest income on non-accrual loans that would have been recognized if interest on all such loans had been recorded based upon original contract terms amounted to approximately $3,300 and $15,400 for the three and nine months ended September 30, 2023, respectively compared to $6,900 and $9,500 for the three and four month periods ended September 30, 2022. The was no interest income recognized on non-accrual loans during three and nine months ended September 30, 2023 compared to $30,400 recognized for both the three and four month periods ended September 30, 2022.

ASU *2022-02* eliminated the accounting guidance for TDRs while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. In accordance with the new guidance, Vecta *no* longer evaluates loans with modifications made to borrowers experiencing financial difficulty individually for impairment, nor establishes a related specific reserve for such loans, but rather these loans are included in their respective portfolio segment and evaluated collectively for impairment to establish an ACL.

6. LOANS RECEIVABLE, NET (Cont'd)

The following table presents the activity in the ACL by loan type for the period indicated:

	Three months ended September 30, 2023						
	Mortgage Loans						
	Residential 1-4 Family	Commercial and Multi-Family	Home Equity	Student	Other	Unallocated	Total
	(In thousands)						
Beginning balance	$ 6	$ 78	$ -	$ 33	$ 3	$ -	$ 120
Provision for credit losses	(2)	-	-	(2)	30		26
Recoveries	-	-	-	5	1		6
Ending Balance	$ 4	$ 78	$ -	$ 36	$ 34	$ -	$ 152

	Nine months ended September 30, 2023						
	Mortgage Loans						
	Residential 1-4 Family	Commercial and Multi-Family	Home Equity	Student	Other	Unallocated	Total
	(In thousands)						
Beginning balance	$ -	$ 56	$ -	$ 23	$ -	$ -	$ 79
Provision for credit losses	4	22	-	(21)	34		39
Recoveries	-	-	-	34	-	-	34
Ending Balance	$ 4	$ 78	$ -	$ 36	$ 34	$ -	$ 152

7. GOODWILL AND CORE DEPOSIT INTANGIBLE

As a result of the Merger pursuant to which Vecta Partners LLC acquired all of the outstanding shares of Vecta Inc., goodwill of $5.6 million was recorded. Goodwill is evaluated for impairment annually on the Company's May 31, measurement date, or when impairment trigger events are identified.

In addition to goodwill, a core deposit intangible of $1.4 million was recorded. The core deposit intangible is being amortized straight-line over a ten year period at approximately $140,580 per year. At September 30, 2023 the core deposit intangible was $1.2 million.

8. BORROWINGS

At September 30, 2023, the Company had a borrowing capacity at the FHLB of $26.3 million and access to a line of credit at Atlantic Community Bankers Bank of $2.0 million of which no balances were outstanding at September 30, 2023.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss included in equity are as follows:

	September 30, 2023	December 31, 2022
Unrealized net loss on pension plan	(210,623)	(210,675)
Unrealized loss on securities available for sale	(2,809,127)	(1,994,165)
Accumulated other comprehensive loss before taxes	(3,019,750)	(2,204,840)
Tax effect	-	-
Accumulated other comprehensive loss	$ (3,019,750)	$ (2,204,840)

10. REGULATORY CAPITAL

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possible additional discretionary, actions by regulators, that if undertaken could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items, as calculated under regulatory accounting practices.

Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of common equity Tier 1 capital, total and Tier 1 capital to risk-weighted assets, and Tier 1 capital to average assets, as defined in the regulations. As of September 30, 2023, and December 31, 2022, the Bank exceeded all capital adequacy requirements to which it was subject (see tables below). There were no conditions or events since September 30, 2023 that management believes have changed the Bank's capital ratings.

The following table presents the Bank's actual capital positions and ratios at the dates indicated:

	Actual		Minimum Capital Requirements		To be Well Capitalized Under Prompt Corrective Action Provisions		To be Well Capitalized With Capital Conservation Buffer	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)							
September 30, 2023								
Tangible Capital	$13,276	16.02%	$ 1,243	1.50%	N/A	N/A	N/A	N/A
Total Risked-based Capital	13,428	28.82%	4,892	10.50%	$ 4,659	10.00%	$ 4,892	10.50%
Common Equity Tier 1 Capital	13,276	28.49%	3,261	7.00%	3,028	6.50%	3,261	7.00%
Tier 1 Risk-based Capital	13,276	28.49%	3,960	8.50%	3,727	8.00%	3,960	8.50%

Tier 1 Leverage Capital	13,276	16.02%	531	4.00%	4,143	5.00%	N/A	N/A
December 31, 2022								
Tangible Capital	$11,278	13.04%	$ 1,298	1.50%	N/A	N/A	N/A	N/A
Total Risked-based Capital	11,357	24.67%	4,834	10.50%	$ 4,604	10.00%	$ 4,834	10.50%
Common Equity Tier 1 Capital	11,278	24.50%	3,223	7.00%	2,992	6.50%	3,223	7.00%
Tier 1 Risk-based Capital	11,278	24.50%	3,913	8.50%	3,683	8.00%	3,913	8.50%
Tier 1 Leverage Capital	11,278	13.04%	3,460	4.00%	4,325	5.00%	N/A	N/A

11. FAIR VALUE MEASUREMENTS AND DISCLOSURES

A. Fair Value Measurements

ASC Topic 820, "Fair Value Measurements and Disclosures," defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC Topic 820 applies only to fair value measurements already required or permitted by other accounting standards and does not impose requirements for additional fair value measures. ASC Topic 820 was issued to increase consistency and comparability in reporting fair values.

The Company uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. The Company did not have any liabilities that were measured at fair value at September 30, 2023. Securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets or liabilities on a non-recurring basis, such as foreclosed real estate owned and certain impaired loans. These non-recurring fair value adjustments generally involve the write-down of individual assets due to impairment losses.

In accordance with ASC Topic 820, the Company groups its assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 — Valuation is based upon quoted prices for identical instruments traded in active markets.

- Level 2 — Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

- Level 3 — Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques. The results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability.

The Company bases its fair values on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. ASC Topic 820 requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Assets that are measured on a recurring basis are limited to the available-for-sale securities portfolio. The available-for-sale portfolio is carried at estimated fair value with any unrealized gains and losses, net of taxes, reported as accumulated other comprehensive income or loss in stockholders' equity. Substantially all of the available-for-sale portfolio consists of investment securities issued by government-sponsored enterprises. The fair values for
substantially all of these securities are obtained from an independent securities broker. Based on the nature of the securities, the securities broker provides the Company with prices which are categorized as Level 2 since quoted prices in active markets for identical assets are generally not available for the majority of securities in the portfolio.

The following table provides the level of valuation assumptions used to determine the carrying value of assets measured at fair value on a recurring basis at September 30, 2023 and December 31, 2022:

		Fair Value Measurements		
Description	Carrying Value	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

September 30, 2023:								
Securities available for sale	$	28,932,645	$	-	$	28,932,645	$	-
December 31, 2022:								
Securities available for sale	$	33,735,037	$	-	$	33,735,037	$	-

There were no assets measured at fair value on a non-recurring basis at September 30, 2023 and December 31, 2022.

11. FAIR VALUE MEASUREMENTS AND DISCLOSURES (Cont'd)

B. Fair Value Disclosures

The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein.

Cash and Cash Equivalents and Certificates of Deposit

For cash and due from banks and federal funds sold, the carrying amount approximates the fair value (Level 1).

Securities

The fair value of securities is estimated based on bid quotations received from securities dealers, if available (Level 1). If a quoted market price was not available, fair value was estimated using quoted market prices of similar instruments, adjusted for differences between the quoted instruments and the instruments being valued (Level 2).

Loans Receivable

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as residential mortgage, commercial, and consumer. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and nonperforming categories (Level 3).

FHLB and Other Stock, at Cost

The fair value for FHLB stock is its carrying value, since this is the amount for which it could be redeemed. There is no active market for this stock, and the Company is required to maintain a minimum balance based upon the unpaid principal of home mortgage loans (Level 2).

Deposits

The fair value of deposits with no stated maturity, such as non-interest-bearing demand deposits, savings, and NOW and money market accounts, is equal to the amount payable on demand (Level 1). The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits with similar remaining maturities (Level 2).

Off-Balance-Sheet Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the financial statements when they are funded. Their fair value would approximate fees currently charged to enter into similar agreements.

11. FAIR VALUE MEASUREMENTS AND DISCLOSURES (Cont'd)

B. Fair Value Disclosures (Cont'd)

The carrying values and estimated fair values of financial instruments are as follows (in thousands):

	September 30, 2023		December 31, 2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 9,636	$ 9,636	$ 13,286	$ 13,286
Certificates of deposit	250	250	250	250
Securities held to maturity	412	380	416	407
Loans receivable	32,008	31,236	28,563	28,102
FHLB and other stock, at cost	134	134	139	139
Accrued interest receivable	422	422	398	398
Financial liabilities:				
Deposits	68,486	68,127	74,556	74,646

The fair value estimates are made at a discrete point in time based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors.

These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Further, the foregoing estimates may not reflect the actual amount that could be realized if all or substantially all of the financial instruments were offered for sale.

In addition, the fair value estimates were based on existing on-and-off balance sheet financial instruments without attempting to value the anticipated future business and the value of assets and liabilities that are not considered financial instruments. Other significant assets and liabilities that are not considered financial assets and liabilities include premises and equipment and advances from borrowers for taxes and insurance. In addition, the tax ramifications related to the realization of the unrealized gains and losses have a significant effect on fair value estimates and have not been considered in any of the estimates.

Finally, reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates which must be made given the absence of active secondary markets for many of the financial instruments. The lack of uniform valuation methodologies introduces a greater degree of subjectivity to these estimated fair values.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains information and statements that are considered "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent plans, estimates, objectives, goals, guidelines, expectations, intentions, projections, and statements of our beliefs concerning future events, business plans, objectives, expected operating results, and the assumptions upon which those statements are based. Forward-looking statements include without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements and are typically identified with words such as "may," "could," "should," "will," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," or words or phrases of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- interest rate, liquidity, economic, market, credit, operational and inflation risks associated with our business, including the speed and predictability of changes in these risks;
- recent adverse developments in the banking industry highlighted by high-profile bank failures and the potential impact of such developments on customer confidence, liquidity, and regulatory responses to these developments;
- our ability to retain deposits and attract new deposits and loans and the composition and terms of such deposits and loans;
- business and economic conditions generally and in the financial services industry, nationally and within our current and future geographic markets, including the tight labor market, ineffective management of the U.S. Federal budget or debt or turbulence or uncertainty in domestic or foreign financial markets;
- increased competition among depository and other financial institutions;

- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to execute on our business strategy to increase commercial real estate and multi-family lending and commercial lending, including implementing an SBA lending program;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission ("SEC") and the Public Company Accounting Oversight Board;
- climate change, including any enhanced regulatory, compliance, credit and reputational risks and costs;
- geopolitical conditions, including acts or threats of terrorism, actions taken by the U.S. or other governments in response to acts or threats of terrorism and/or military conflicts, including the conflict in the Mideast and the war between Russia and Ukraine, which could impact business and economic conditions in the U.S. and abroad;
- natural disasters, earthquakes, fires, and severe weather;
- changes in our organization, compensation and benefit plans; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

General

Management's discussion and analysis of the financial condition and results of operations is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Form 10-K"), plus the unaudited financial statements and the notes thereto, appearing on Part I, Item 1 of this Quarterly Report on Form 10-Q ("Quarterly Report"). The results for the Three and Nine Months Ended September 30, 2023 are not necessarily indicative of the results expected for the year ending December 31, 2023.

Overview

Vecta Inc. Acquisition by Vecta Partners

Vecta Inc. (formerly known as Sunnyside Bancorp, Inc.) ("Vecta Inc." or "Vecta") was incorporated in the State of Maryland in March 2013 for the purpose of becoming the savings and loan holding company for Sunnyside Federal Savings and Loan Association of Irvington, a federally-chartered savings and loan association and the wholly-owned subsidiary of Vecta Inc. ("Sunnyside Federal" or the "Bank"), upon consummation of Sunnyside Federal's mutual to stock conversion. The conversion was consummated in July 2013 at which time Sunnyside Bancorp, Inc. became the registered savings and loan holding company of the Bank. Prior to the Closing Date (as referenced below) of the Merger (as referenced below), other than holding all of the issued and outstanding stock of Sunnyside Federal and making a loan to the Sunnyside Federal's employee stock ownership plan, Vecta Inc. has not engaged in any material business.

As further disclosed in Note 2 (Business Combination) included in the Company's 2022 Form 10-K, on June 1, 2022 (the "Closing Date"), Vecta Partners LLC (formerly known as Rhodium BA Holdings LLC), a Delaware limited liability company ("Vecta Partners"), completed its acquisition of Vecta Inc. (formerly known as Sunnyside Bancorp, Inc.), a Maryland corporation, pursuant to the Agreement and Plan of Merger, dated as of June 16, 2021, as amended on August 26, 2021 (the "Merger Agreement"), by and among Vecta Partners, Rhodium BA Merger Sub, Inc., a Maryland corporation ("Merger Sub"), Mark Silber, Vecta Inc. and Sunnyside Federal. Pursuant to the Merger Agreement and subject to the terms and conditions thereof, on the Closing Date, Merger Sub merged with and into Vecta Inc. (the "Merger"), with Vecta Inc continuing as the surviving corporation and a wholly-owned subsidiary of Vecta Partners.

Under the terms of the Merger Agreement, Vecta Partners acquired all of the outstanding common stock of Vecta Inc. at a price of $20.25 per share in cash. The aggregate value of the merger consideration was approximately $15.3 million. Vecta Partners incurred approximately $6.1 million in merger related acquisition costs.

The Merger was accounted for under the acquisition method of accounting and accordingly the results of Vecta Inc.'s operations have been included in Vecta Inc.'s September 30, 2023 consolidated financial statements from the date of acquisition, or June 1, 2022.

On June 1, 2022, Vecta's Board of Directors authorized and approved a 15-for-1 stock dividend to the existing shareholders of Vecta Inc. The 15-for-1 stock dividend was consummated on July 18, 2022.

On June 29, 2022, Vecta Partners made an additional capital contribution of $4.5 million to Vecta Inc. in exchange for 222,222 shares of Vecta Inc.'s common stock.

Vecta Inc. has been informed by Vecta Partners, that Vecta Partners intends to divest some of his ownership in Vecta Inc. through private sales, however, Vecta Partners intends to maintain majority ownership of Vecta Inc.

On July 18, 2022, Vecta Inc. also increased its authorized shares of common stock to 100,000,000 par value $0.01, and increased its authorized shares of preferred stock to 2,000,000 par value $0.01. As of September 30, 2023, Vecta Inc. had 17,906,285 of common stock shares outstanding and no shares of preferred stock outstanding.

On July 18, 2022, Vecta Inc. amended its Articles of Incorporation to change its name from "Sunnyside Bancorp, Inc." to Vecta Inc. The name change was effected pursuant to the filing of Articles of Amendment to Vecta Inc.'s Articles of Incorporation with the Maryland State Department of Assessments and Taxation.

On June 30, 2023, Vecta Partners made an additional capital contribution of $2.5 million to Vecta Inc. in exchange for 1,975,309 shares of Vecta Inc.'s common stock.

Vecta Inc. operates as the savings and loan holding company for its only present subsidiary Sunnyside Federal, which offers various banking products and services and has no other present business operations. Sunnyside Federal conducts business from its full-service banking office located in Irvington, New York. Sunnyside Federal considers its deposit and lending market area to be the counties of Westchester, Putnam, Rockland, Queens, Kings, and Bronx, New York.

Vecta Inc.'s proposed future goals are to increase the capital available to Sunnyside Federal, expand the current business lines offered by Sunnyside Federal, and to analyze and address new business lines, products and services that management feels would be beneficial to Vecta Inc. and Sunnyside Federal.

Sunnyside Federal recently hired a new lending team and expects to become a preferred small business lender with the Small Business Administration in the next twelve to eighteen months.

Board of Directors; Management

The Board of Directors and leadership team is comprised of experienced seasoned professionals with successful track records. A brief summary of the experience of each member of the Board of Directors is provided immediately below:

Vecta Inc.'s Board of Directors

Fredrick Schulman, Chairman of the Board

Fredrick Schulman is a founding shareholder and the former Chairman of NewBank, a New York state chartered commercial community bank founded in 2006 with a focus on supporting and serving local businesses, with an initial concentration on the

Korean – American community. NewBank currently operates six (6) full services retail branch locations, three in New York and three in New Jersey. For the past 9 years, NewBank has been the leading small business lender through the SBA's 7a loan guarantee program in the New York region.

Fredrick Schulman, has over 40 years of experience as an investment banker, commercial banker, real estate principal, and attorney, with extensive expertise in corporate, commercial, and real estate finance. Mr. Schulman is currently the chief executive officer of NB Affordable LLC, a real estate entity dedicated to the acquisition and redevelopment of affordable housing.

Through his law practice, Mr. Schulman is the President of Galactic Litigation Partners, LLC., a litigation funding business.

Mr. Schulman's successful track record and broad range of experience provides the Company with the required management skills, regulatory knowledge and sound financial analysis to guide the Bank towards a successful future. Mr. Schulman holds a Bachelor of Arts Degree from Clark University and a Juris Doctor Degree from Boston College School of Law.

Mark Silber, Vice Chairman of the Board

Mark Silber is a successful entrepreneur who has developed a sizeable commercial real estate portfolio by creating an infrastructure consisting of acquisition, management, development and construction businesses. His core business has been the acquisition and management of income producing garden style apartments throughout the United States in secondary and tertiary markets. He believes that these types of assets have experienced, and will experience, consistent growth in real estate cash flows and capital appreciation with limited financial pressure during challenging economic times.

Mr. Silber's real estate career began in 2010, working with the owners of a large real estate owner/operator controlling a portfolio of over 5,000 units in New York City. He developed his acquisition and management expertise as the person in charge of all operations, including rent collections, maintenance and repairs, lease negotiations, tenant buy-outs and building refinancing's.

In 2012, Mr. Silber rolled up his real estate holdings into a family office under the CBRM Realty Inc. umbrella. CBRM has focused on buying opportunistic garden style apartments throughout the United States, with a focus on value-add opportunities. In conjunction with the opening of CBRM Realty also Mark founded Rhodium Capital Advisors as a real estate syndicator to assist with capital raising for real estate transactions. CBRM Realty, through its subsidiaries, is a full-service real estate firm covering due diligence, acquisition management, maintenance, development and construction. CBRM Realty also manages thousands of units throughout the United States. Mr. Silber has developed a broad range of value added, unique relationships in the real estate sector which have enhanced his access to real estate product and real estate financing. In aggregate his companies have acquired approximately 25,000 units in the multi-family sector, with an aggregate value of approximately $2.5 billion.

John Leo, Secretary, Treasurer, Independent Director

Mr. Leo is an experienced business operator, investment banker and fund manager. He has 30 years of experience in the financial sector, which includes investment banking, due diligence, compliance, trading, management and operations. He has established and personally financed two FINRA member, SEC registered investment banking firms, and is currently majority owner of Primary Capital LLC and VCS Venture Securities. He has organized and supervised operations in multiple locations including numerous offices in the US, China and Singapore. His firms have provided financing for more than 150 U.S. based companies and more than 50 foreign based companies covering all business sectors including hotels, resorts, residential and commercial properties, technology, health, nutraceuticals, pharmaceuticals and consumer brands. His primary focus in the investment banking sector has been providing capital to small and midsized businesses, for operations, expansion and acquisitions. Mr. Leo maintains the following FINRA registrations: SIE, Series 7, 14, 24, 55, 57, 63, 79, 99.

Joseph M. Mormak, Independent Director

Mr. Mormak has served in the capacity of a Risk Analyst at Treliant Risk Advisors and also with KPMG Commercial Credit Risk in New York, where he performs M&A due diligence of varied loan portfolios for regional bank clients. Mr. Mormak analyzes commercial and institutional credit, commercial real estate and multi-family housing loans to determine reasonableness of credit risk ratings for both large global institutions and community banks. Mr. Mormak also reviews consumer residential mortgage documentation and foreclosure execution review under FDIC and OCC consent decrees. From 2014 through 2015 Mr. Mormak served as an interim chief credit officer at Convergex, an agency broker dealer. From 2009 through 2011 Mr. Mormak served as Vice President of Risk Management for Commerzbank AG, and upon the acquisition of Dresdner Bank by Commerzbank, Mr. Mormak assumed the global portfolio management responsibilities for large, multi-national manufacturers.

Robert Geyer, Independent Director

Mr. Geyer was the Senior Loan Officer with The Westchester Bank at the inception of the organization in 2008 and served in this capacity until his retirement in 2019. Mr. Geyer served as the Senior Vice President /Senior Loan Officer for the Community Bank of Orange County, Middletown, NY, from 2004-2008. Mr. Geyer also held the position of Senior Vice President / Senior Loan Officer with the Community Bank of Sullivan County, Monticello, NY, from 1999-2004. He has over 47 years of commercial banking experience which includes over 30 years in the field of commercial lending.

Avery Weisz, Independent Director

Avery Weisz is the managing principal and founder of Levon Capital LLC, an asset based lending platform and investment firm based out of Lakewood, New Jersey. Mr. Weisz has over 15 years of experience in commercial real estate bridge lending and has successfully originated, structured and closed over $1 billion in short- term commercial loans; primarily in the Tri-state area. Mr. Weisz is also very active in structuring equity deals for various real estate purchases, as well as restructuring of debt and has vast experience with borrowers and developers of all property types and classes.

Jeffrey Zwick, Independent Director

Mr. Zwick is a founding partner of Jeffrey Zwick & Associates, P.C., an internationally recognized law firm representing a broad range of clients in connection with the development, ownership, and financing of real estate projects. Mr. Zwick's expertise includes large-scale development, mixed-use, commercial, retail, and residential real estate projects. Mr. Zwick holds a degree in accounting from Touro College, a Master's in Business Administration from Baruch College and a Juris Doctor from Brooklyn Law School.

Executive Officer Who is Not Also a Director

Edward J. Lipkus, III, Vice President and Chief Financial Officer

Edward J. Lipkus, III, has served as Chief Financial Officer of Vecta Inc. and its wholly-owned subsidiary since May 2014. Prior to this appointment, Mr. Lipkus served as chief financial officer of First National Community Bancorp, Dunmore, Pennsylvania from September 2010 until August 2012. Prior to this position, from August 2006 until August 2009, Mr. Lipkus served as chief financial officer for First Commonwealth Financial Corporation, Indiana, Pennsylvania. From 2002 to 2006, Mr. Lipkus served as Controller for Valley National Bancorp, Wayne, NJ. Mr. Lipkus is a certified public accountant and has over 35 years of financial institution experience.

Named Executive Officers of Vecta Inc.'s principal subsidiary, Sunnyside Federal Savings & Loan Association

Gerardina Mirtuono, President and Chief Operating Officer

Gerardina Mirtuono joined Sunnyside Federal in March of 2010 as Senior Vice President and Chief Operating Officer, overseeing compliance management, human resources, retail banking, deposit operations, loan operations, and business continuity. She was elected to the bank's Board of Directors in 2011, and was a Director of Vecta Inc. (formerly known as Sunnyside Bancorp, Inc.) from 2013 until June 2022. Prior to that, from March 2008 until March 2010, Ms. Mirtuono was Senior Vice President and Chief Compliance Officer for The Park Avenue Bank in New York City. From 2001 until 2008, she was Senior Vice President and Chief Compliance Officer for Union State Bank, Orangeburg, New York. From 1996 to 2001, she was Senior Vice President and Director of Audit, Compliance & Risk Management at Premier National Bank, Lagrangeville, New York. Ms. Mirtuono has held the role of President of Sunnyside Federal since June 2022. With over 35 years of banking experience, her in depth knowledge in areas of risk management, regulatory compliance, bank operations, and corporate governance has been key to her success as an executive and director. She is a graduate of the American Bankers Association Stonier Graduate School of Banking, was recognized by the University of Pennsylvania's Wharton School of Business with a Leadership Certificate, and maintains several professional designations such as a Certified Regulatory Compliance Manager (CRCM), Certified Internal Auditor (CIA), and Certified Trust

Compliance Professional (CTCP). Her field of study was in Accounting and Economics.

Dong Yun (Kevin) Kim, Senior Vice President & Chief Lending Officer

Mr. Kim is experienced in the management of lending, including but not limited to strategic planning, credit approval, portfolio management and loan administration. He was previously a Senior Vice President & Chief Revenue Officer of KEB Hana Bank, NA and managed a lending team for two years. He was a Senior Vice President & SBA Team Leader of East West Bank and established a new SBA lending team in the Eastern Region for four years. From 2006 to 2014 he served as Senior Vice President & Chief Lending Officer of NewBank, where he led the bank to the top ranking in SBA 7(a) loan origination, and a number of Pinnacle awards from the NY District Office. Mr. Kim graduated from ABA Stonier Graduate School of Banking and serves on the board of directors of Healixa, Inc., and The Korean-American Chamber of Commerce in Greater New York.

Anticipated Growth Plans and Strategies

Provided below is a brief overview of Vecta Inc.'s anticipated growth plans and strategies.

In connection with Vecta Inc.'s anticipated growth plans, which are discussed in more detail immediately below, Vecta Inc. will consider strategic acquisition opportunities and, more specifically, will evaluate underperforming bank and non-bank organizations in key markets with the intent to transform them into profitable and valuable components of Vecta Inc.'s corporate group.

Some of Vecta Inc.'s anticipated growth plans and strategies may require regulatory approval prior to Vecta Inc. or the Bank engaging in such activities. As such, there is no guarantee that Vecta Inc.'s intended growth plans and strategies will be successful in obtaining regulatory approval or commercially successful.

Goals and operational strategy for Vecta Inc. and the Bank:

- Consider acquisitions of financial organizations using clearly defined, specific acquisition parameters.
- Consider acquisitions of value-added Neo Bank Platforms as well as the internal development of similar technology.
- Develop significant non-interest revenues through origination and sale of government insured or guaranteed assets, including, residential mortgage and small business lending.
- Build a strong and integrated corporate culture that is guided by a clear mission and fully articulated with a reinforced value system.
- Embrace the highest standards of corporate governance and risk management to minimize loss and reduce execution risk.
- Build an integrated operations framework that maximizes efficiencies and enhances earnings.
- Focus on highly scalable business lines in which the new management has expertise, such as Multi-Family housing.
- Become a leader among community banks by providing outsourced services which they could not otherwise afford to implement on their own due to lack of capital, scale, or know-how.
- Provide diversified products and services that are uniquely designed to meet the needs of our communities and client base.

Vecta Inc. and the Bank intend to provide various services to other community banks, credit unions and specialty lenders for both mortgage and small business lending. Some of which may include the following:

– Back-office Loan Platform Services
– White-label loan origination services, including loan processing, documents, packaging, closing and post-closing services.
– Loans will typically be closed in the client's name, not requiring balance sheet capacity / liquidity or representing credit risk of or to the Bank.
– Vecta may receive revenue in the form of origination and processing fees and may share in the profits should its clients desire Vecta to assist with secondary market loan sales.
– Loan Syndication, Loan Participation and Asset-based Loan Program Administrator
– The Bank intends to originate, syndicate or participate in loans with other financial institutions that are too large to hold in its portfolio.
– Vecta may also function as a loan program administrator for other loan portfolio investors.
– Revenue will be captured in the form of gains from sales (or profits from sales of loans), servicing or excess servicing.

– Neo Bank Platform

- The Bank intends on using an API based core technology operating system to provide third party marketing platforms with the ability to originate and syndicate asset and liability component production into the banking system.
- The Bank intends to utilize multi-family bridge lending as an essential platform to drive profitability and achieve targeted goals.
- The Bank intends to leverage its lending experience by focusing on strong sponsor relationships that are well known to executive management and have the depth of experience from multiple economic cycles.
- Multi-Family Bridge Loan lending will support housing, localized services and investment within the communities the Bank serves. Lending will include individual facilities for Multi-Family and related projects (which will also fulfill the Bank's Community Reinvestment Act requirements).
- The Bank intends to limit speculative risk in the Multi-Family bridge product by securing an agency takeout lender prior to origination.
- Multi-Family Lending Policies will be determined by the Bank's Board of Directors and will include guidance to limit market, interest rate, and concentration risks.
- The Bank intends to establish and maintain Multi-Family portfolio standards for monitoring and reporting.
- Diversification of credit risk is an important and desirable attribute of the Bank's real estate portfolio. The Bank intends to seek portfolio diversification based on lending product, geographic region and collateral type. Certain risks may be mitigated by the short-term nature and guaranteed take-out refinancing of these loans by a HUD or a FNMA DUS lender.
- Typical loan terms are expected to be less than 18 months with a floating interest rate tied to the Prime Rate.
- Management intends to service all loans originated for its portfolio. The Bank anticipates utilizing best-in-class software and servicing platforms to administer and manage the portfolio. With demonstrated success, the Bank expects to offer loan servicing as a service to other small to medium sized banks looking to gain operational efficiencies.

Critical Accounting Policies and Critical Estimates

Vecta's accounting policies are fundamental to understanding management's discussion and analysis of its financial condition and results of operations. In preparing the consolidated financial statements, management has made estimates, judgments and assumptions in accordance with these policies that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of financial condition and results of operations for the periods indicated. At September 30, 2023, we identified our policies on the ACL, goodwill and other intangible assets, and income taxes to be critical accounting policies because management has to make subjective and/or complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. Management has reviewed the application of these policies and estimates with the Audit Committee of Vecta's Board of Directors.

Supplemental Information

Supplemental Financial Disclosure and Information

As described in Note 1. (Summary of Significant Accounting Policies – Corporate History, Nature of Business and Merger Acquisition) to the financial statements, included in Item 1. (Financial Statements) in Part I. (Financial Information) of this Quarterly Report above, and discussed above in this Item 2. (Management's Discussion and Analysis of Financial Condition and Results of Operations), the acquisition by Vecta Partners of all of the outstanding common stock of Vecta Inc., pursuant to the Merger, was accounted for under the acquisition method of accounting. Following the Merger, Vecta Inc. remains the holding company for the Bank.

Pursuant to applicable accounting rules and guidance, as a result of the Merger, the operations of the Bank prior to the Closing Date of the Merger are not reflected in the financial statements included in Item 1 (Financial Statements) in Part I (Financial Information) of this Quarterly Report. However, management has elected to provide the following supplemental financial disclosure and information to provide the reader of this Quarterly Report a clearer understanding of Vecta Inc.'s and the Bank's consolidated financial performance as if the operations of Vecta Inc. and the Bank, on a consolidated basis, prior to the closing of the Merger on June 1, 2022 were included in the financial statements:

VECTA INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Interest and dividend income:		
Loans	$ 602,619	$ 369,489
Investment securities	125,653	166,391
Mortgage-backed securities	311,592	273,978
Federal funds sold and other earning assets	111,108	48,914
Total interest and dividend income	1,150,972	858,772
Interest Expense:		
Deposits	178,866	49,945
Borrowings	-	-
Total interest expense	178,866	49,945
Net interest income	972,106	808,827
Provision for loan losses	25,768	7,136
Net interest income after provision for loan losses	946,338	801,691
Non-interest income:		
Fees and service charges	25,308	22,218
Income on bank owned life insurance	16,497	16,946
Total non-interest income	41,805	39,164
Non-interest expense:		
Compensation and benefits	664,464	407,082
Occupancy and equipment, net	105,980	80,067
Data processing service fees	133,537	103,156
Merger-related expenses	-	538
Professional fees	99,944	124,900
Federal deposit insurance premiums	9,920	7,227
Amortization of core deposit intangible	35,145	35,145
Advertising and promotion	34,041	13,791
Other	71,538	59,625
Total non-interest expense	1,154,569	831,531
(Loss) income before income tax (benefit)	(166,426)	9,324
Income tax expense	7,953	1,072

Net (loss) income	(174,379)	$ 8,252

VECTA INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Interest and dividend income:		
Loans	$ 1,476,976	$ 1,036,941
Investment securities	376,626	338,022
Mortgage-backed securities	950,183	670,469
Federal funds sold and other earning assets	297,184	60,884
Total interest and dividend income	3,100,969	2,106,316
Interest expense:		
Deposits	422,886	153,085
Borrowings	-	9,515
Total interest expense	422,886	162,600
Net interest income	2,678,083	1,943,716
Provision for loan losses	38,668	22,287
Net interest income after provision for loan losses	2,639,415	1,921,429
Non-interest income:		
Fees and service charges	61,890	56,989
Income on bank owned life insurance	49,218	50,417
Total non-interest income	111,108	107,406
Non-interest expense:		
Compensation and benefits	1,892,558	2,323,121
Occupancy and equipment, net	293,927	211,101
Data processing service fees	363,256	270,434
Merger-related expenses	-	299,697
Professional fees	343,290	383,357
Federal deposit insurance premiums	22,387	19,320
Amortization of core deposit intangible	105,435	46,860
Advertising and promotion	107,840	39,497
Other	206,238	259,535
Total non-interest expense	3,334,931	3,852,922
(Loss) before income tax (benefit)	(584,408)	(1,824,087)
Income tax (benefit)	15,572	(337,668)

Net loss	(599,980)	$ (1,486,419)

Comparison of Financial Condition at September 30, 2023 and December 31, 2022

Total assets decreased $4.8 million, or 5.2%, to $87.1 million at September 30, 2023 from $91.9 million at December 31, 2022. The decrease was primarily due to a decrease in investments and cash of $4.8 million and $3.6 million, respectively, partly offset by an increase in loans of $3.4 million. Total liabilities decreased $5.9 million, or 7.8%, from $75.6 million at December 31, 2022 to $69.7 million at September 30, 2023, primarily due to a decrease in deposits of $ 6.1 million.

Cash decreased $3.6 million from $13.3 million at December 31, 2022 to $9.6 million at September 30, 2023 mainly due to a decrease in deposits of $6.1 million and an increase in loans of $3.4 million, partly offset by a decrease in investments of $4.8 million.

Securities available for sale decreased $4.8 million, or 14.2%, to $28.9 million at September 30, 2023 from $33.7 million at December 31, 2022 primarily due to a $3.0 million reduction in commercial mortgage-backed securities.

Net loans receivable increased $3.4 million, or 12.1% to $32.0 million at September 30, 2023 from $28.6 million at December 31, 2022. The increase was primarily due to new commercial real estate and commercial loan originations.

Bank-owned life insurance ("BOLI") increased $49,000 to $2.6 million at September 30, 2023 from $2.6 million at December 31, 2022. We invest in BOLI to provide us with a funding offset for our benefit plan obligations. BOLI also generally provides us noninterest income that is non-taxable. Federal regulations generally limit our investment in BOLI to 25% of our Tier 1 capital plus our allowance for credit losses, and we have not made any additional contributions to our BOLI since 2002.

Core deposit intangible decreased $105,000, or 8.0%, as a result of regularly scheduled amortization.

Other assets increased $277,000, or 117.2%, mainly due to an increase in prepaid expenses and the recording of the right of use asset in the second quarter of 2023 for the Company's office lease.

Total deposits decreased $6.1 million, or 8.1%, to $68.5 million at September 30, 2023 from $74.6 million at December 31, 2022. The decrease resulted primarily from decreases in savings accounts and NOW accounts of $5.8 million and $2.6 million respectively, partly offset by an increase in certificates of deposit of $3.3 million.

Total equity increased $1.1 million or 6.7%, to $17.4 million at September 30, 2023 from $16.3 million at December 31, 2022. This increase was primarily attributed to a $2.5 million capital contribution made on June 30, 2023, partly offset by an increase in accumulated other comprehensive losses of $815,000 and year-to-date losses of $600,000.

Comparison of Results of Operations for the Three Months Ended September 30, 2023 and September 30, 2022

General. We recorded a net loss of $174,000 for the quarter ended September 30, 2023 compared to net income of $8,252 for the quarter ended September 30, 2022. The increase in net loss resulted primarily from an increase in non-interest and interest expenses of $323,000 and $129,000, respectively, partly offset by an increase in interest income of $292,000.

Net Interest Income. Net interest income increased $163,000, to $972,000, or 20.2%, for the three months ended September 30, 2023 compared to $809,000 for the three months ended September 30, 2022, primarily due to an increase in interest income partly offset by an increase in interest expense. Interest and dividend income increased $292,000, or 34.0%, to $1.2 million for the three months ended September 30, 2023 from $859,000 for the three months ended September 30, 2022. Interest expense increased $129,000, or 258.1%, to $179,000 for the third quarter of 2023, compared to $50,000 for the third quarter of 2022.

The average yield on our loans increased 198 basis points, the average yield on our investment securities increased 120 basis points and the average yield on mortgage-backed securities increased 126 basis points during the quarter ended September 30, 2023 compared to the same quarter in 2022. Our net interest rate spread increased 119 basis points to 5.11% for the quarter ended September 30, 2023 from 3.92% for the quarter ended September 30, 2022 and our net interest margin increased 133 basis points to

5.28% for the 2023 quarter from 3.95% for the 2022 quarter. Average interest-earning assets decreased $8.2 million, or 10.1%, to $73.0 million for the quarter ended September 30, 2023 from $81.3 million for the quarter ended September 30, 2022.

Interest and Dividend Income. Interest and dividend income increased $292,000, or 34.0%, to $1.2 million for the quarter ended September 30, 2023 from $859,000 for the quarter ended September 30, 2022. The increase resulted primarily from increases in interest income on loans, federal funds sold and other earning assets and mortgage-backed securities of $233,000, $62,000 and $38,000, respectively.

Interest income on loans increased $233,000 to $603,000 for the three months ended September 30, 2023 compared to $369,000 for the same period in 2022 primarily due to a 198 basis point increase in yield and a $5.4 million increase in average balances. During the quarter ended September 30, 2023, a non-accrual loan was paid off which resulted in the Bank recording an additional $152,000 in interest income which contributed 192 basis points to the loan yield.

Interest income on mortgage backed securities increased $38,000 primarily due to a 126 basis point increase in yield to 5.86% for the quarter ended September 30, 2023 from 4.60% for the quarter ended September 30, 2022, partly offset by a $2.5 million decrease in average balances. Interest income on federal funds sold and other earning assets increased $62,000 to $111,000 for the three months ended September 30, 2023 from $49,000 for the three months ended September 30, 2022. This increase was mainly due to a 301 basis point increase in yield from 2.18% for the third quarter of 2022 to 5.19% for the third quarter of 2023, partly offset by a decrease in average balances of $400,000.

Interest income on investment securities decreased $41,000 primarily due to a $10.7 million reduction in average balances, partly offset by a 120 basis point increase in yield from 2.88% for the third quarter of 2022 to 4.08% for the third quarter of 2023.

Interest Expense. Interest expense, consisting of the cost of interest-bearing deposits and advances from the FHLB increased $129,000, or 258.1%, to $179,000 for the quarter ended September 30, 2023 from $50,000 for the quarter ended September 30, 2022. The increase was due to higher interest expense on deposits due to the elevated interest rate environment. The cost of interest-bearing liabilities for the quarter ended September 30, 2023 increased 86 basis points to 1.14% compared to 0.28% for the quarter ended September 30, 2022. Average interest-bearing liabilities decreased $9.3 million, or 13.0%, to $62.3 million for the quarter ended September 30, 2023 from $71.6 million for the quarter ended September 30, 2022. The average balance of savings and NOW deposits decreased $6.2 million, or, 19.8% and $2.8 million, or 20.0%, respectively, while the average balance of certificates of deposit decreased $275,000, or 1.2%.

Provision for Credit Losses. We establish provisions for credit losses that are charged to operations in order to maintain the allowance for credit losses at a level believed, to the best of management's knowledge, to cover all known and inherent losses in the portfolio both probable and reasonable to estimate at each reporting date. For the quarter ended September 30, 2023 we recorded a $26,000 provision compared to a $7,000 provision for the quarter ended September 30, 2022. As a result of the Merger, the allowance for loan losses was replaced with a credit mark with a balance of $554,000 at September 30, 2023 compared to $774,000 at December 31, 2022. In addition, the allowance for credit losses was $152,000 at September 30, 2023 compared to $79,000 at December 31, 2022. (See Note 5 "Loans Receivable, Net" for an additional discussion on the Company's loan portfolio).

Non-interest Income. Non-interest income increased $3,000 to $42,000 for the three months ended September 30, 2023 compared to $39,000 for the three months ended September 30, 2022, primarily due to an increase in income on fees and service charges.

Non-interest Expense. Non-interest expense increased $323,000, or 38.8%, to $1.2 million for the quarter ended September 30, 2023 from $832,000 for the quarter ended September 30, 2022. The increase was primarily due to higher compensation and benefits expense, occupancy and equipment expense, data processing service fees and advertising and promotion expenses, partly offset by a decrease in professional fees.

Compensation and benefits expense increased $257,000, or 63.2%, primarily related to an increase in staffing levels in 2023.

Occupancy and equipment expense increased $26,000, or 32.4%, mainly due to higher depreciation and lease costs. Data processing service fees increased $30,000, or 29.5%, primarily due to higher costs related to technology and new product initiatives. Advertising and promotion expenses increased $20,000, or 146.8%, mainly due to new branding and marketing initiatives. Professional fees decreased $25,000, or 20.0%, primarily due to lower legal fees.

Income Tax Expense. We recorded an $8,000 income tax expense for the quarter ended September 30, 2023 compared to a $1,072 income tax expense for the quarter ended September 30, 2022.

The Company recorded a valuation allowance on its entire federal deferred tax asset as of December 31, 2022. The amount of the impact on our future tax expense will be affected by any changes in our operations, structure, or profitability.

Income tax expense (benefit) is calculated based on pre-tax income or loss adjusted for permanent book to tax differences, such as non-taxable interest income on municipal securities, income on BOLI and non-deductible merger-related expenses.

Comparison of Results of Operations for the Nine Months ended September 30, 2023 and September 30, 2022

General. We recorded a net loss of $600,000 for the nine months ended September 30, 2023 compared to net loss of $1.5 million for the nine months ended September 30, 2022. The decrease in net loss resulted primarily from an increase in net interest income of $734,000 and a $518,000 decrease in non-interest expense.

Net Interest Income. Net interest income increased $734,000, or 37.8%, for the nine months ended September 30, 2023 compared to the same period in 2022 primarily due to an increase in interest income partly offset by an increase in interest expense. Interest and dividend income increased $995,000, or 47.2%, to $3.1 million for the nine months ended September 30, 2023 from $2.1 million for the nine months ended September 30, 2022. Interest expense increased $260,000, or 160.1%, to $423,000 for the first nine months of 2023, compared to $163,000 for the first nine months of 2022.

Interest income on loans increased $440,000 to $1.5 million for the nine months ended September 30, 2023 compared to $1.0 million for the same period in 2022 primarily due to a $2.9 million, or 10.4%, increase in average balances and a 144 basis point increase in yield.

Interest income on mortgage-backed securities increased $280,000 primarily due to a 238 basis point increase in yield to 5.88% for the nine months ended September 30, 2023 from 3.50% for the nine months ended September 30, 2022, partly offset by a $4.0 million decrease in average balances. Interest income on federal funds sold and other earning assets increased $236,000 to $297,000 for the nine months ended September 30, 2023 from $61,000 for the nine months ended September 30, 2022. This increase was mainly due to a 356 basis point increase in yield from 1.33% for the nine months ended September 30, 2022 to 4.89% for the nine months ended September 30, 2023 as well as an increase of $2.0 million in average balances.

Interest income on investment securities increased $39,000 primarily due to a 216 basis point increase in yield from 1.94% for the nine months ended September 30, 2022 to 4.10% for the nine months ended September 30, 2023, partly offset by a decrease in average balances of $11.0 million.

Our net interest rate spread increased 170 basis points to 4.80% for the nine months ended September 30, 2023 from 3.10% for the nine months ended September 30, 2022, and our net interest margin increased 179 basis points to 4.92% for the 2023 period from 3.13% for the 2022 period. Average interest-earning assets decreased $10.1 million to $72.8 million for the nine months ended September 30, 2023 from $82.9 million for the nine months ended September 30, 2022.

Interest and Dividend Income. Interest and dividend income increased $995,000, or 47.2%, to $3.1 million for the nine months ended September 30, 2023 from $2.1 million for the nine months ended September 30, 2022. The increase resulted primarily from a $440,000, or 42.4%, increase in interest income on loans, a $280,000, or 41.7%, increase in income on mortgage-backed securities and a $236.000, or 388.1%, increase in interest income on federal funds sold and other earning assets.

Interest income on loans increased $440,000, or 42.4%, to $1.5 million for the nine months ended September 30, 2023 from $1.0 million for the nine months ended September 30, 2022. The increase resulted primarily from a $2.9 million increase in average balances and an increase of 144 basis points in yield from 4.97% for the nine months ended September 30, 2022 to 6.41% for the nine months ended September 30, 2023. The year-to-date results include a non-accrual loan that was paid off, which resulted in the Bank recording an additional $152,000 in interest income which contributed 66 basis points to the loan yield.

Interest income on mortgage-backed securities increased $280,000, or 41.7%, primarily due to a 238 basis point increase in yield to 5.88% for the nine month period ended September 30, 2023 from 3.50% for the nine month period ended September 30, 2022, partly offset by a reduction in average balances of $4.0 million.

Interest income on federal funds sold and other earning assets increased $236,000, or 388.1%, to $297,000 for the nine months ended September 30, 2023 from $61,000 for the nine months ended September 30, 2022. This increase was mainly due to a 356 basis point increase in yield to 4.89% for the 2023 period from 1.33% for the 2022 period as well as an increase in average balances of $2.0 million.

Interest and dividend income on investment securities increased $39,000 primarily due to a 216 basis point increase in yield from 1.94% for the nine months ended September 30, 2022 to 4.10% for the nine months ended September 30, 2023, partly offset by a decrease in average balances of $11.0 million.

Interest Expense. Interest expense, consisting of the cost of interest-bearing deposits and advances from the FHLB increased $260,000, or 160.1%, to $423,000 for the nine months ended September 30, 2023 from $163,000 for the nine months ended September 30, 2022. The increase was primarily due to an increase of $270,000 in interest expense on deposits, partly offset by a $10,000 decrease in interest expense on borrowings. The cost of interest-bearing liabilities for the nine months ended September 30, 2023 increased 59 basis points to 0.89% compared to 0.30% for the nine months ended September 30, 2022. Average interest-bearing liabilities decreased $9.6 million, or 13.2% to $63.3 million for the nine months ended September 30, 2023 from $73.0 million for the nine months ended September 30, 2022. The average balance of certificates of deposit, savings, NOW and money market accounts decreased $3.4 million, $3.3 million, $2.3 million and $69,000, respectively. The average balance of FHLB advances decreased $578,000 to $0 for the nine months ended September 30, 2023 from $578,000 for the nine months ended September 30, 2022.

Provision for Credit Losses. We establish provisions for credit losses that are charged to operations in order to maintain the allowance for credit losses at a level believed, to the best of management’s knowledge, to cover all known and inherent losses in the portfolio both probable and reasonable to estimate at each reporting date. For the nine months ended September 30, 2023, we recorded a provision of $39,000 compared to $22,000 for the same period in 2022. As a result of the Merger, the allowance for loan losses was replaced with a credit mark with a balance of $554,000 at September 30, 2023 compared to $774,000 at December 31, 2022. In addition, the allowance for credit losses was $152,000 at September 30, 2023 compared to $79,000 at December 31, 2022. (See Note 5 “Loans Receivable, Net” for an additional discussion on the Company’s loan portfolio).

Non-interest Income. Non-interest income increased $4,000, or 3.4 %, to $111,000 for the nine months ended September 30, 2023 from $107,000 for the nine month period ended September 30, 2022. The increase was primarily due to higher fees received on bank products and services, partly offset by a decrease in income on BOLI.

Non-interest Expense. Non-interest expense decreased $518,000, or 13.4%, to $3.3 million for the nine months ended September 30, 2023 from $3.9 million for the nine months ended September 30, 2022. The decrease was primarily due to lower compensation and benefits expense and merger-related expenses, partly offset by increases in occupancy and equipment, data processing, amortization of core deposit intangible and advertising and promotion expenses.

Compensation and benefits expense decreased $431,000, or 18.5%, primarily related to change in control payments recorded in the Merger, partly offset by an increase in staffing levels in 2023. Merger-related expenses decreased $300,000, primarily due to merger expenses incurred in 2022 but not in 2023. See Note 2 (Business Combination) included in the 2022 Form 10-K.

Occupancy and equipment expense increased $83,000, or 39.2%, mainly due to higher depreciation and lease costs. Data processing service fees increased $93,000 or 34.3% primarily due to higher costs related to technology and new product initiatives. Amortization of core deposit intangible increased $59,000 as a result of recording a $1.4 million core deposit intangible related to the Merger. Advertising and promotion expenses increased $68,000, or 173.0%, mainly due to new branding and marketing initiatives.

Income Tax Expense. We recorded a $16,000 income tax expense for the nine months ended September 30, 2023 compared to an income tax benefit of $338,000 for the nine months ended September 30, 2022. The Company recorded a Federal income tax adjustment of $12,000 as a result of filing the Company's 2022 tax return.

The Company recorded a valuation allowance on its entire federal deferred tax asset as of December 31, 2022. The amount of the impact on our future tax expense will be affected by any changes in our operations, structure, or profitability.

Income tax expense (benefit) is calculated based on pre-tax income or loss adjusted for permanent book to tax differences, such as non-taxable interest income on municipal securities, income on BOLI and non-deductible merger-related expenses.

Analysis of Net Interest Income. The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. All average balances are daily average balances and include non-accrual loans. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense. No taxable equivalent adjustments have been made.

	For the Three Months Ended September 30,					
	2023			**2022**		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield Cost
Interest-earning assets:						
Loans	$ 31,239,011	$ 602,619	7.65%	$ 25,854,900	$ 369,489	5.67%
Investment securities	12,211,773	125,653	4.08%	22,889,856	166,391	2.88%
Mortgage-backed securities	21,097,498	311,593	5.86%	23,630,555	273,978	4.60%
Fed funds sold and other interest-earning assets	8,500,733	111,108	5.19%	8,900,840	48,914	2.18%
Total interest-earning assets	73,049,015	1,150,973	6.25%	81,276,151	858,772	4.19%
Non-interest-earning assets	16,654,401			16,878,532		
Total assets	$ 89,703,416			$ 98,154,683		
Interest Bearing Liabilities						
Transaction Accounts	$ 11,409,240	1,436	0.05%	$ 14,258,346	1,794	0.05%
Regular Savings	24,939,283	11,065	0.18%	31,104,083	15,892	0.20%
Money Markets	2,480,261	623	0.10%	2,527,207	635	0.10%
Certificates of Deposits	23,444,694	165,741	2.80%	23,719,329	31,623	0.53%
Advances from FHLB and FRB of NY	-	-		-	-	
Total Interest Bearing Liabilities	62,273,479	178,866	1.14%	71,608,966	49,944	0.28%
Non-Interest Bearing Liabilities	9,454,578			8,522,680		
Total Liabilities	71,728,057			80,131,647		
Equity	17,975,359			18,023,037		
Total Liabilities and Equity	$ 89,703,416			$ 98,154,683		
Net Interest Income as reported		$ 972,107			$ 808,828	
Interest Rate Spread [(1)]			5.11%			3.92%
Net Interest-Earning Assets [(2)]	$ 10,775,536			$ 9,667,185		
Net Interest Margin [(3)]		5.28%			3.95%	

(1) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(2) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

(3) Net interest margin represents net interest income divided by average total interest-earning assets

	For the Nine Months Ended September 30,					
	2023			2022		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield Cost
Interest-earning assets:						
Loans	$30,798,136	$1,476,976	6.41%	$27,893,772	$1,036,941	4.97%
Investment securities	12,279,679	376,626	4.10%	23,297,457	338,022	1.94%
Mortgage-backed securities	21,608,340	950,183	5.88%	25,602,379	670,469	3.50%
Fed funds sold and other interest-earning assets	8,131,583	297,184	4.89%	6,139,461	60,884	1.33%
Total interest-earning assets	72,817,738	3,100,969	5.69%	82,933,069	2,106,316	3.40%
Non-interest-earning assets	16,754,470			11,074,645		
Total assets	$89,572,208			$94,007,714		
Interest Bearing Liabilities						
Transaction Accounts	$11,984,266	4,478	0.05%	$14,325,872	5,350	0.05%
Regular Savings	26,751,983	36,869	0.18%	30,009,358	44,173	0.20%
Money Markets	2,579,784	1,924	0.10%	2,649,173	1,967	0.10%
Certificates of Deposits	22,017,862	379,615	2.31%	25,405,495	101,591	0.53%
Advances from FHLB and FRB of NY	-	-		577,912	9,514	2.20%
Total Interest Bearing Liabilities	63,333,895	422,886	0.89%	72,967,810	162,595	0.30%
Non-Interest Bearing Liabilities	9,444,157			9,177,189		
Total Liabilities	72,778,051			82,144,999		
Equity	16,794,157			11,862,715		
Total Liabilities and Equity	$89,572,208			$94,007,714		
Net Interest Income as reported		$2,678,083			$1,943,721	
Interest Rate Spread (1)			4.80%			3.10%
Net Interest-Earning Assets (2)	$ 9,483,844			$ 9,965,259		
Net Interest Margin (3)		4.92%			3.13%	

(1) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(2) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

(3) Net interest margin represents net interest income divided by average total interest-earning assets

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable, as the Registrant is a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of September 30, 2023. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Registrant's disclosure controls and procedures were effective as of the period covered by this Quarterly Report.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2023, there have been no changes in the Company's internal control over financial reporting 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

The Company is subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Bank's or the Company's financial condition or results of operations.

Item 1A. Risk Factors

Not applicable, as the Registrant is a smaller reporting company.

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

There were no repurchases or unregistered sales of the Company's common stock during the period covered by this Quarterly Report.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the quarter ended September 30, 2023, no officer or director of the Company adopted or terminated any contract, instruction, or written plan for the purchase or sale of securities of the Company's common stock that is intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement as defined in 17 CFR § 229.408(c).

Item 6. Exhibits

3.1	Articles of Incorporation of Vecta Inc. (incorporated by reference to the Company's Registration Statement on Form S-1 (File No. 333-187317), initially filed with the SEC on March 15, 2013)
3.2	Articles of Amendment to the Articles of Incorporation of Vecta Inc. (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on July 21, 2022)
3.3	Bylaws of Vecta Inc. (incorporated by reference to the Company's Registration Statement on Form S-1 (File No. 333-187317), initially filed with the SEC on March 15, 2013)
4.1	Form of Common Stock Certificate of Vecta Inc. (incorporated by reference to the Company's Registration Statement on Form S-1 (File No. 333-187317), initially filed with the SEC on March 15, 2013)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

Date: November 20, 2023

/s/ Fredrick Schulman
Fredrick Schulman
Chairman, Chief Executive Officer and President

/s/ Edward J. Lipkus
Edward J. Lipkus
Vice President and Chief Financial Officer