March 21, 2014

Dear Fellow Shareholder:

The year ended December 31, 2013 marked a year of new beginnings, growth and financial improvement for the Bank. Effective with the close of business on March 28, 2013, the New Jersey Department of Banking and Insurance approved the Bank's application to become a New Jersey state chartered commercial bank. In conjunction with this approval, the Bank closed its branch office located in Horsham, Pennsylvania, on that same day. The Bank is now headquartered out of its Middletown, New Jersey, branch office. On May 29, 2013, the Bank's second full-service New Jersey branch, located in the Borough of Shrewsbury, officially opened its doors and grew total deposits to $18.1 million at December 31, 2013 (which includes $1.4 million of business sweep accounts). During the year ended December 31, 2013, the Bank gained balance sheet scale by growing its loan portfolio and deposit base significantly. During the year ended December 31, 2013, we were able to improve our net loss by $1.7 million, or 57%, from the trailing year, with 2014 expected to be profitable.

The Bank's residential mortgage and SBA departments generated $411,000 and $289,000 of fee income, respectively, for the year ended December 31, 2013. At February 28, 2014, the Bank has approximately $9.0 million of SBA loans that are approved and waiting to close, with another $6.0 million in various stages of underwriting.

We are pleased to report continued progress in growing Colonial American Bank during the fourth quarter ended December 31, 2013, and since the prior year ended December 31, 2012. Among the highlights:

- Deposits and business sweep accounts grew to $132.8 million at December 31, 2013, which is an increase of $27.3 million, or 34.9%, from a balance of $105.5 million at December 31, 2012. Deposits and business sweep accounts have remained relatively flat from the 3rd quarter ended September 30, 2013, increasing $248,000.
- Loans held-for-investment reached a milestone of $110.7 million, which is an increase of $39.2 million, or 55%, from December 31, 2012, and also increased $6.9 million, or 6.7%, during the 4th quarter.

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- Investments decreased $23.8 million, or 45%, during year ended December 31, 2013, primarily resulting from net sales activity to fund loan growth. During the year ended December 31, 2013, the Bank recognized net gains on securities transactions, less other-than-temporary impairment charges, totaling $636,000.
- At December 31, 2013, the Bank had $6.4 million of borrowings outstanding which were utilized primarily to fund loan growth. This is a decrease of $7.6 million, or 54%, from December 31, 2012, and a decrease of $3.9 million, or 38%, from the trailing 3rd quarter.
- During the year ended December 31, 2013, the Bank originated $3.7 million of SBA 7(a) loan recognizing $289,000 in fee income from the sale of the U.S. government guaranteed portion of these loans. The Bank was named 2013 Breakout SBA Lender of the Year by the U.S. Small Business Administration, New Jersey regional office.
- The Bank's regulatory capital ratios remain "well-capitalized" at December 31, 2013.

Please be assured that your Bank's management team and the Board of Directors are focused on achieving sustained profitability. Losses excluding loan provisions and one-time gains/losses from securities sales ("pre-provision losses") for the 4th quarter of 2013 were $296,000, an improvement of 54% from the 4th quarter pre-provision loss of $639,000 in 2012. A continuation of the positive activity in SBA lending along with modest additional commercial loan growth and ongoing expense control should allow the Bank to turn profitable in the coming months and remain profitable during the full year 2014.

Your "friendly, local banker" is back to serve you. Please visit us today at your local branch office in Middletown or Shrewsbury, New Jersey. Busy running your business? We are happy to visit you at your location, at your convenience. We greatly appreciate your continued confidence as a shareholder and the opportunity to be your personal bankers. We invite you to stop by one of our branch locations or call us at (732) 275-6900 in Middletown, New Jersey, or at (732) 389-9500 in Shrewsbury, New Jersey.

As always, similar letters such as this can be found on our new, fully functional, website at www.ColonialAmericanBank.com under the *Investor Relations* tab. Please do not hesitate to contact us if you have any questions, feedback or suggestions.

Philip A. Nisbet
Chairman

Anthony Giordano, III
President & CEO

Interim Financial Information
December 31, 2013

COLONIAL AMERICAN BANK
BALANCE SHEETS
(Amounts in thousands)

	12/31/13	12/31/12
	(audited)	
ASSETS		
Cash and due from banks	$ 346	$ 373
Interest-bearing deposits with other banks	3,572	4,922
Cash and cash equivalents	3,918	5,295
Investment securities available-for-sale, at fair value, amortized cost of $29,505 and $52,196 at 12/31/13 and 12/31/12, respectively	28,906	52,683
Loans held-for-sale	453	4,015
Loans held-for-investment, net	110,650	71,444
Less: allowance for loan losses	(1,511)	(1,226)
Net loans held-for-investment	109,139	70,218
Bank premises and equipment, net	3,952	2,297
FHLB stock, at cost	382	726
Other real estate owned	189	189
Accrued interest receivable and other assets	848	763
Total Assets	**$ 147,787**	**$ 136,186**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 12,689	$ 5,015
Interest bearing	118,682	100,532
Total deposits	131,371	105,547
Borrowings	6,435	14,000
Due to broker	-	4,562
Accrued interest payable and other accrued liabilities	491	490
Total Liabilities	138,297	124,599
Total Stockholders' Equity	9,490	11,587
Total Liabilities and Stockholders' Equity	**$ 147,787**	**$ 136,186**

COLONIAL AMERICAN BANK
STATEMENTS OF OPERATIONS
(Amounts in thousands, except share data)

	Three Months Ending		Year Ending	
	12/31/13	12/31/12	12/31/13	12/31/12
	(unaudited)		(audited, except per share data)	
Total interest income	$ 1,209	$ 882	$ 4,253	$ 2,998
Total interest expense	271	277	1,042	946
Net interest income	938	605	3,211	2,052
Provision for loan losses	100	305	513	905
Net interest income after provision for loan losses	838	300	2,698	1,147
Total non-interest income	104	312	1,381	722
Compensation and benefits	754	784	3,019	2,725
Occupancy and data processing	435	348	1,198	880
Professional services	83	87	297	426
Other operating expenses	99	122	876	866
Total non-interest expense	1,371	1,341	5,390	4,897
Loss before taxes	(429)	(729)	(1,311)	(3,028)
Income taxes	-	-	-	-
Net loss	$ (429)	$ (729)	$ (1,311)	$ (3,028)
Basic and diluted loss per share	$ (0.25)	$ (0.40)	$ (0.75)	$ (1.68)

COLONIAL AMERICAN BANK
STATEMENTS OF OPERATIONS
(Amounts in thousands, except share data)

	Three Months Ending			
	12/31/13	09/30/13	06/30/13	03/31/13
	(unaudited)			
Total interest income	$ 1,209	$ 1,163	$ 962	$ 919
Total interest expense	271	259	246	266
Net interest income	938	904	716	653
Provision for loan losses	100	68	310	35
Net interest income after provision for loan losses	838	836	406	618
Total non-interest income	104	274	529	474
Compensation and benefits	754	682	774	809
Occupancy and data processing	435	271	289	203
Professional services	83	78	71	65
Other operating expenses	99	191	292	294
Total non-interest expense	1,371	1,222	1,426	1,371
Loss before taxes	(429)	(112)	(491)	(279)
Income taxes	-	-	-	-
Net loss	$ (429)	$ (112)	$ (491)	$ (279)
Basic and diluted loss per share	$ (0.25)	$ (0.06)	$ (0.28)	$ (0.16)

PERFORMANCE RATIOS:

Yield average interest earning assets	3.35%	3.41%	3.24%	3.15%
Cost average interest bearing liabilities	0.83%	0.83%	0.91%	1.02%
Interest rate spread	2.52%	2.58%	2.33%	2.13%
Net interest margin	2.60%	2.62%	2.41%	2.24%

COLONIAL AMERICAN BANK
SELECTED FINANCIAL DATA
(Amounts in thousands, except share data)

	At	
	12/31/13	**12/31/12**
	(unaudited)	
ASSET QUALITY RATIOS:		
Non-performing loans	$ 2,979	$ 2,894
Non-performing assets	$ 3,168	$ 3,083
Non-performing loans to total loans	2.69%	4.05%
Non-performing assets to total assets	2.14%	2.26%
Allowance for loan losses to total loans	1.37%	1.72%
Coverage Ratio - Allowance for loan losses to total non-performing loans	50.72%	42.36%
CAPITAL RATIOS:		
Shareholders' equity to total assets	6.42%	8.51%
Book value per share	$ 5.46	$ 6.42
Tier 1 leverage capital ratio	6.68%	8.85%
Tier 1 risk-based capital ratio	9.11%	13.75%
Total risk-based capital ratio	10.36%	15.00%
Shares outstanding	1,738,845	1,804,850