



SR003_7: Failed Bank Report

Omni National Bank

5 Concourse Parkway, Suite 100
Atlanta, GA 30328

(3/8/1976 – 3/27/2009)

Report Objective

This report has **two** objectives, using the bank's **data***

1. To examine the bank finances in the quarters prior to its failure.
2. To analyze the bank finances using our Key Performance Indicator (KPI) scoring approach to determine if the bank's failure is something we could have predicted.

*Data source: FDIC and company filings.

Bank Background

FDIC Certificate #	22238
Parent Holding Company	OMNI FINANCIAL SERVICES, INC.
Bank Charter Class	National Bank
Asset Concentration	Commercial Lending Specialization
Product Specialty	Personal and Business Banking Services, Residential and Commercial Redevelopment Loans, Long Term Loans for Construction
Number of Branches	7 (as of December 31, 2008)
Number of Employees	144 (as of December 31, 2008)

Executives	
CEO/Chairman	Stephen M. Klein
CFO	Thomas J. Flournoy

What took place?

Omnium National Bank, Atlanta, GA was closed by the Office of the Comptroller of the Currency (OCC) on March 27th, 2009. The Federal Deposit Insurance Corporation (FDIC) was named Receiver. The estimated cost to the FDIC Deposit Insurance Fund is \$290,000,000, compared to the average cost of \$389,206,944. SunTrust will pay out all insured deposits; no bank acquired the failed bank's assets.

Bank Financial Snapshot

Financial Data Overlay (thousands)			
	2007 Q4	2008 Q4	Percentage Change
Assets	\$ 906,574	\$ 979,585	↑ 8.1%
Liabilities	\$ 844,186	\$ 930,716	↑ 10.3%
Net Income	-\$ 14,554	-\$ 14,568	↓ 0.1%

- The average net income change for all FDIC banks was -83.49% in the same period.
- The average net income change for all the commercial lending specialization banks was -99.60% in the same period.
- Omni National Bank had large negative net income for two consecutive years.

Key Performance Indicators

KPI Summary for 2008 Q4	
Normalized Income Rating	Moderate
Delinquent Asset Rating	Poor
Asset: Liability Rating	Very Poor
Real Estate Asset Rating*	Good
Bankability Composite Score	15.19** (Very Poor)

Possible ratings: *Excellent, Good, Moderate, Poor, Very Poor.*

*This rating is relevant to the current “financial crisis” fueled by mortgage security backed loans.


**This is out of 100.

Normalized Income Analysis

	2007Q3	2007Q4 	2008Q1	2008Q2	2008Q3	2008Q4
Normalized Income	0.20%	-2.16%	0.02%	-0.54%	-0.74%	-0.16%
SD's from Average*	0.0367	-3.23	-0.172	-0.884	-0.829	0.0820
Ranking	Moderate	Very Poor	Moderate	Moderate	Moderate	Moderate

- Omni National Bank had a normalized income of -0.16% in the fourth quarter of 2008, the quarter before it failed.
- Banks of the same asset concentration hierarchy (commercial lending specialization) had an average normalized income of -0.24%. The standard deviation of the normalized incomes was 1.02%, which means that Omni National Bank was 0.0820 SD's above the average.

* Average of banks of the same asset concentration hierarchy

 Indicates sign of bank in financial distress

Delinquent Asset Analysis

	2007Q3	2007Q4	2008Q1	2008Q2	2008Q3	2008Q4
Delinquent Asset	1.7873%	4.0561%	2.7508%	3.0921%	3.1241%	5.0732%
SD's from Average*	0.36	1.58	0.65	0.91	0.85	1.55
Ranking	Moderate	Poor	Moderate	Moderate	Moderate	Poor

- Omni National Bank had a delinquent assets out of total assets ratio 5.07% in the fourth quarter of 2008, the quarter before it failed.
- Banks of the same asset concentration hierarchy (commercial lending specialization) had an average delinquent asset of 1.7356%. The standard deviation of the delinquent assets was 2.15%, which means that Omni National Bank was about 1.55 SD's above the average.
- Except 2007 Q4, Omni National Bank's delinquent assets ratio has been stable and stayed around the average. However, right before the bank fails, delinquent asset ratio suddenly increased to 5% and went into a poor condition.

*Average of banks of the same asset concentration hierarchy

Real Estate Loan Asset Analysis

	2007Q3	2007Q4	2008Q1	2008Q2	2008Q3	2008Q4
Real Estate Loan Asset Ratio	60.76%	57.75%	53.98%	51.55%	47.26%	43.75%
SD from Average*	0.36	0.14	-0,11	-0.32	-0.64	-0.89
Ranking	Moderate	Moderate	Moderate	Moderate	Moderate	Good

- Omni National Bank had a 43.75% of R/A ratio in 08 Q4, the quarter before it failed.
- In 08 Q4, banks of the same asset concentration hierarchy (commercial lending specialization) had an average R/A ratio of 56.72%. The standard deviation of the R/A ratio was 14.63%, which means that Omni National Bank was 0.89 SD's below the average.


* Average of banks of the same asset concentration hierarchy

Asset: Liability Analysis

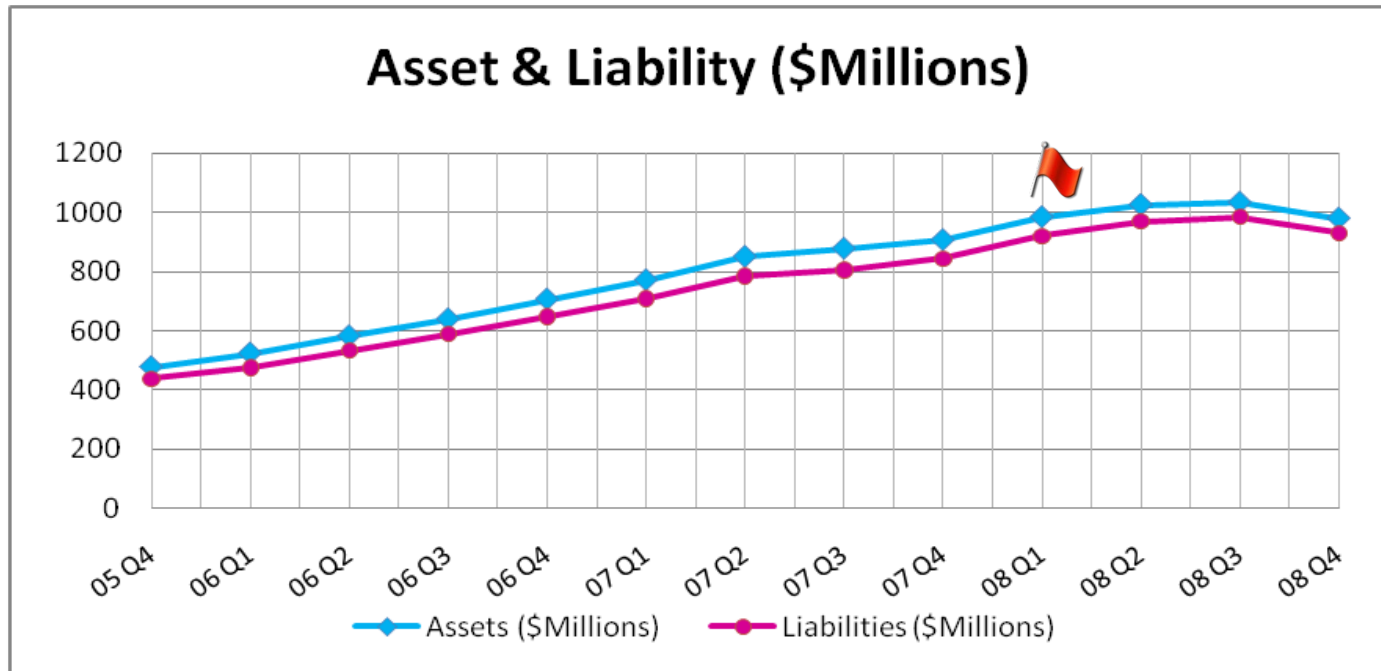
	2007Q3	2007Q4	2008Q1 	2008Q2	2008Q3	2008Q4
Asset: Liability Ratio	109.03%	107.39%	106.99%	105.76%	105.03%	105.25%
Median A/L Ratio*	110.97%	110.95%	110.93%	110.69%	110.65%	110.52%
Ranking	Poor	Poor	Very Poor	Very Poor	Very Poor	Very Poor

- Omni National Bank experienced decreasing A/L ratio between 07 Q3 and 08 Q3.
- The bank fell into the worst ranking in 08 Q2.
- Of the banks failed in 09 Q1, 90.48% of them had an A/L ratio under 107%.
- Of the bank with an A/L ratio under 106% in 08 Q4, 12% failed in the subsequent quarter.

*Average of banks of the same asset concentration hierarchy

 Indicates sign of bank in financial distress

Asset & Liability History

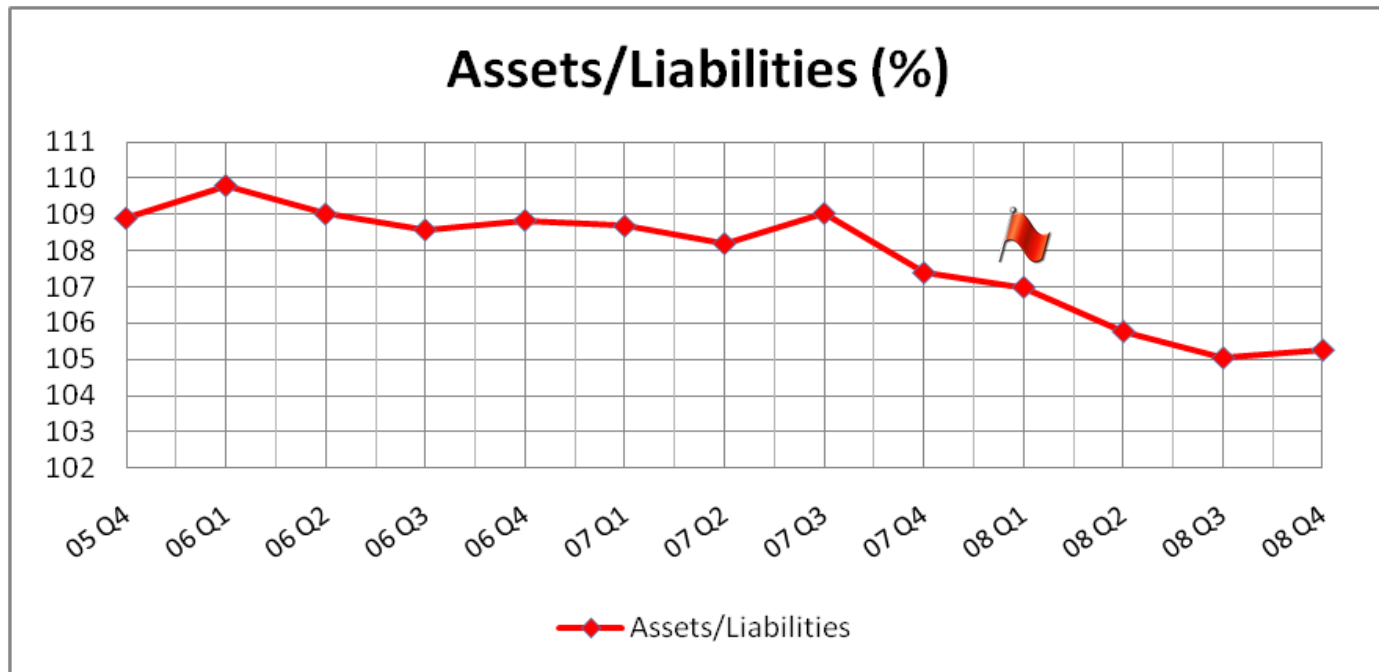


- The difference between asset and liability was getting closer in 08 Q2.




Indicates sign of bank in financial distress

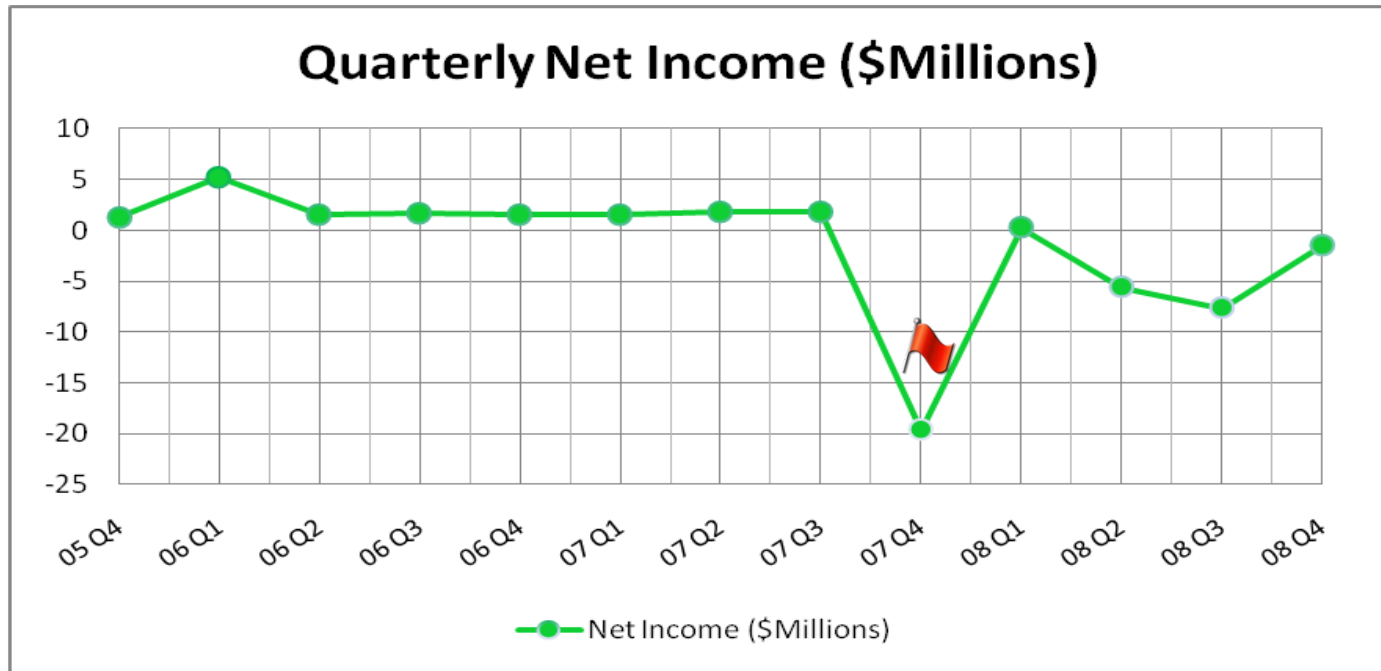
Asset/Liability History



- The A/L ratio was decreasing since 07 Q3.

 Indicates sign of bank in financial distress

Net Income History

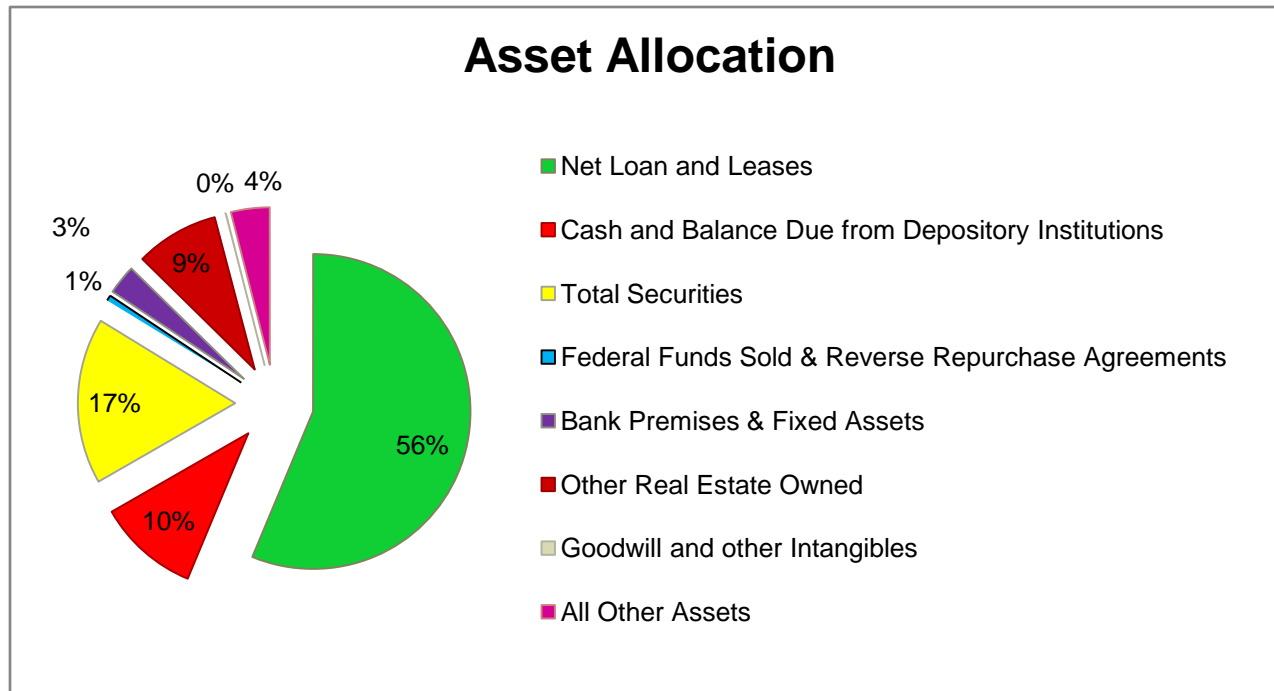


- The bank recorded a big loss in 07 Q4.



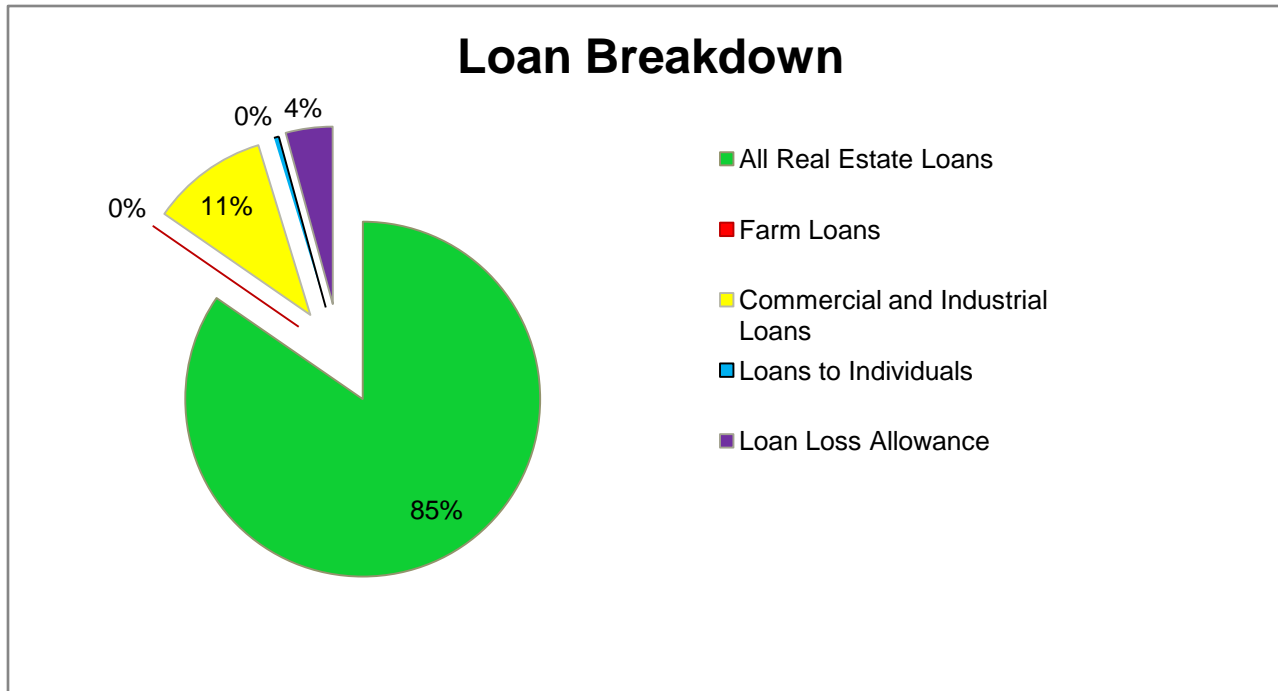
Indicates sign of bank in financial distress

Asset Allocation



- The average percentage of Net Loans for banks of the same Asset Concentration Hierarchy in the fourth quarter of 2008 was 72.53%.
- The average Net Loan percentage of all banks in the fourth quarter of 2008 was 66.14%.

Loan Breakdown



- The average percentage of Real Estate Loans for banks of the same Asset Concentration Hierarchy in the fourth quarter of 2008 was 76.45%.
- The average percentage for all banks in the fourth quarter of 2008 was 71.23%.

Events Timeline

- Jul. 5, 07** - Omni National Bank acquired all the outstanding stock of Wilson State Bank.
- Feb. 7, 08** - Omni directors had suspended the repurchase of stock and the payment of dividends on common stock.
- Mar. 4, 08** - SEC voted to disclose information for the secondary market ETF investors in Form N-1A.
- Mar. 7, 08** - The Fed will initiate a series of term repurchase transactions that are expected to cumulate to \$100 billion.
- Mar. 19, 08** - Fannie Mae and Freddie Mac is expected to provide support to the U.S. mortgage market, up to \$200 billion immediate liquidity.
- Apr. 1, 08** - Omni National Bank's parent company announced that it will delay filing its Annual Report on Form 10-K.
- May 29, 08** - U.S.-Canada mutual recognition arrangement: U.S. Securities markets and certain U.S. financial service firms could gain greater freedom to operate in Canada under SEC.
- June 10, 08** - FDIC releases a supervisory letter to all banks on interest reserves that examines the risks that this underwriting practice presents.
- June 11, 08** - SEC voted on a comprehensive series of credit rating agency reforms to bring increased transparency to credit rating process.
- June 13, 08** - Omni reported that it will defer interest payments due on its trust preferred junior subordinated debt for an initial period.

Events Timeline

- June 17, 08** - New HOPE NOW guidelines to deal with issues surrounding second mortgages and short sales.
- June 26, 08** - FDIC adopts Basel II-Based Standardized Approach as an alternative risk-based capital framework available to all banks except the largest and most complex banks
- June 26, 08** - FRS, FDIC, and OCC issued the host state loan-to-deposit ratios, which help indicate branches outside of the home state that were established or acquired for the purpose of deposit production.
- Jul. 13, 08** - Paulson Announces a three-part plan for GSEs: a temporary increase in the line of credit, a temporary authority for Treasury to purchase equity, and an advisory role is given to the Fed.
- Jul. 18, 08** - The parent company of Omni National Bank de-listed its common stock from Nasdaq.
- Aug. 14, 08** - The holding company announced it would not file its 2Q report on time.
- Aug. 20, 08** - FDIC's implementation in Loan Modification Program will help to modify troubled IndyMac mortgages loans.
- Sept. 16, 08** – Omni has cut 20% of the company's workforce., including the company's chief risk officer and president.
- Sept. 17, 08** - SEC clarified that bank support of money market mutual funds generally are not required to present the fund on-balance sheet, but disclosure of the nature of the support provided is expected.
- Sept. 18, 08** - SEC requires that certain institutional money managers report their new short sales of certain publicly traded securities.

Events Timeline

- Sept. 19, 08** - SEC prohibited short selling in 779 financial institutions.
- Sept. 20, 08** - Treasury Secretary Hank Paulson releases \$700 billion proposal to purchase troubled mortgage-related assets.
- Sept. 24, 08** - Capital Bank and Omni National Bank entered into a Purchase and Assumption Agreement.
- Sept. 26, 08** - In 2Q 2008, one-fifth of Omni National's \$1 billion loan portfolio was reporting some form of delinquency or late payment.
- Oct. 7, 08** - Emergency Economic Stabilization Act of 2008 Temporarily Increases Basic FDIC Insurance Coverage from \$100,000 to \$250,000 per Depositor.
- Oct. 14, 08** - FDIC creates new program to guarantee bank debts and fully insure non-interest bearing deposit transaction accounts.
- Oct. 14, 08** - The Treasury Department will invest up to \$250 billion in the nation's banks via the Capital Purchase Program.
- Nov. 20, 08** - FDIC announces the availability of IndyMac Loan Modification Model.
- Nov. 25, 08** - Created the Term Asset-Backed Securities Loan Facility to support the issuance of asset-backed securities collateralized by loans.
- Dec. 3, 08** - SEC approved measures to strengthen oversight of credit rating agencies.
- Dec. 16, 08** - Troubled banks have to provide certain position level and counterparty level data and QFC counterparty and portfolio identifiers to FDIC in a timely manner.
- Dec. 23, 08** - Treasury provides TARP funds to focal Banks by purchasing \$2.8 billion investment from 49 banks.

Events Timeline

- Dec. 30, 08** - The Fed announced that it will purchase mortgage-backed securities.
- Jan. 15, 09** - The Senate voted to allow access to the remaining bailout funds of \$350 billion.
- Jan. 27, 09** - As part of the Capital Purchase Program, Treasury announced investments of \$386 million in 23 healthy banks.
- Feb. 10, 09** - Geithner rolls out the Financial Stability Plan, promises to perform “stress tests” on big banks, and commit \$100 billion to boost the TALF.
- Feb. 10, 09** - A Capital Assistance Program to help ensure banks hold sufficient capital, produce a more consistent and forward-looking assessment of risks on banks' balance and their potential capital needs.
- Feb. 10, 09** - A Public-Private Investment Fund will combine public and private capital with government financing to help free up capital to support new lending.
- Feb. 10, 09** - Treasury and Fed expanded the Term Asset-Backed Securities Lending facility up to \$1 trillion.
- Feb. 18, 09** - President Obama signs the American Recovery and Reinvestment Act of 2009, which limits bonuses of the highest earning executives.
- Mar. 4, 09** - Treasury announced loan modification guidelines under the Administration's Homeowner Affordability and Stability Plan.
- Mar. 23, 09** - Using TARP capital and capital from private investors, the Public-Private Investment Program will generate \$500 billion in purchasing power to buy legacy assets.
- Mar. 27, 09** - Omni National Bank was closed by the Office of the Comptroller of the Currency. SunTrust Bank receives the insured deposits of Omni National.

Events Timeline

May 29, 09 - FDIC tightens the deposit interest rates paid by banks that are less than well capitalized. Generally, such banks will be permitted to offer to "national rate" plus 75 basis points.

June 9, 09 -10 Of the largest U.S financial institutions are expected to make CPP repayments to Treasury.

Jul. 2, 09 - FDIC proposed guidelines require private equity firms to hold bank purchases for 3yrs and maintain capital levels.

Report Summary – *Surprise?*

Based on the methods with which we analyzed Omni National Bank, its failure was ***not a surprise***.

Here are the indications that Omni National Bank should fail:

- 1) **Omni National Bank reported losses each quarter since the fourth quarter of 2007.**
- 2) **More than 5% of Omni National Bank's assets were delinquent the quarter before it failed.**
- 3) **Omni National Bank's asset to liability ratio dropped below 107% the first quarter of 2008. It had a 105% ratio the quarter before it failed.**
- 4) **Omni National Bank had a bankability composite score of 15.19 the quarter before it failed and 16.45 the quarter before. These scores indicate the bank's very poor overall financial health and likelihood to fail.**

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