

20 Dec, 2023

Genesis looking to buy rivals, fund recaps while other banks turn inward



Author [Jake Mooney](#)

Theme [Healthcare & Pharmaceuticals](#), [Real Estate](#), [Banking](#), [Fintech](#), [Insurance](#)

Newport Beach, Calif.-based Genesis Bank is ready to pounce on potential distressed bank sales and make recapitalizations after securing hundreds of millions of dollars in capital commitments.

Between distressed securities portfolios, unrealized marks on long-duration, low-rate loan portfolios and deposit runoff that has been replaced with either wholesale borrowings or high-cost deposits, many bank balance sheets are "really a mess today," according to Genesis Bank Chairman and CEO Stephen Gordon. Moreover, many banks' market valuations remain under pressure even after recent rallies in November and December following hopes that the Federal Reserve will cut interest rates in 2024.

Genesis Bank sees an opportunity to capitalize on the recent tumult and recently raised \$500 million in equity capital commitments to fund acquisitions or recapitalizations. Given the environment, some bank



boardrooms are "having discussions about selling, raising capital and what they're going to do," Gordon said in an interview.

Many community banks also have aging management teams that may be ready for an exit.

"Even if the Fed navigates their way through this, it's not like they're going to start cutting rates in January," said Gordon. "So banks still have their challenges."

Genesis Bank will initially focus its acquisition efforts in California, or on a bank with a heavy concentration in the Golden State, but could evolve to cover more of the West Coast later, Gordon said. The bank does not have a target size, and its growth will be guided by its opportunities, he added.

Genesis Bank said in a public statement that the equity capital commitments, raised from private equity firms, bank fund investors and family offices, would allow it to "acquire, mark, and recapitalize banking institutions."

"I don't just simply want to mark a balance sheet through a change of control and then wait for bank multiples to improve," Gordon said. "I like forcing the valuation improvement and ... if you get multiple expansion on top of that, that's even better."

Gordon, who launched Opus Bank in 2010 and served as its chairman, president and CEO through 2018, established Genesis Bank in August 2021. At the time, Gordon believed that the end of the sustained low-rate environment in the years following the Great Recession, combined with the impact of the COVID-19 pandemic, would have ripple effects for banks.

"Every bank that I've launched has always been either going into a recession or coming out of one," Gordon said. "I've just seen historically, going all the way back to my days as a partner at Sandler O'Neill in my investment banking years, that every time there is blood in the water around the banking system, banks go on defense."

When existing players turn their focus inward, that is an opportunity for a new bank to emerge, said Gordon.

Genesis Bank is designated as a diverse multiracial minority depository institution (MDI). Banks earn MDI designations by having a majority-minority board and maintaining either majority-minority ownership or serving a mostly minority population.

Maintaining the designation is important for Genesis Bank, said Gordon, who noted that its current Southern California markets range between 60% and 75% minority population. More than 80% of its loans are in low- to moderate-income communities, he added.