

Bank of America Corporation BAC under CEO Brian T. Moynihan

HEXAGRAM 57 – Sun - The Gentle (The Penetrating, Wind)

Above SUN THE GENTLE, WIND, WOOD

Below SUN THE GENTLE, WIND, WOOD

Sun is one of the eight doubled trigrams. It is the eldest daughter and symbolizes wind or wood; it has for its attribute gentleness, which nonetheless penetrates like the wind or like growing wood with its roots.

The dark principle, in itself rigid and immovable, is dissolved by the penetrating light principle, to which it subordinates itself in gentleness. In nature, it is the wind that disperses the gathered clouds, leaving the sky clear and serene. In human life it is penetrating clarity of judgment that thwarts all dark hidden motives. In the life of the community it is the powerful influence of a great personality that uncovers and breaks up those intrigues which shun the light of day.

THE JUDGMENT

THE GENTLE.

Success through what is small.

It furthers one to have somewhere to go.

It furthers one to see the great man.

Penetration produces gradual and inconspicuous effects. It should be effected not by an act of violation but by influence that never lapses. Results of this kind are less striking to the eye than those won by surprise attack, but they are more enduring and more complete. If one would produce such effects one must have a dearly defined goal, for only when the penetrating influence works always in the same direction can the object be attained. Small strength can achieve its purpose only by subordinating itself to an eminent man who is capable of creating order.

THE IMAGE

Winds following one upon the other: The image of THE GENTLY PENETRATING.

Thus the superior man

Spreads his commands abroad

And carries out his undertakings.

The penetrating quality of the wind depends upon its ceaselessness. This is what makes it so powerful; time is its instrument. In the same way the ruler's thought should penetrate the soul of the people. This

too requires a lasting influence brought about by enlightenment and command. Only when the command has been assimilated by the people is action in accordance with it possible. Action without preparation of the ground only frightens and repels.

THE LINES

Nine in the third place means:

Repeated penetration.

Humiliation.

Penetrating reflection must not be pushed too far, lest it cripple the power of decision. After a matter has been thoroughly pondered, it is essential to form a decision and to act. Repeated deliberation brings fresh doubts and scruples, and thereby humiliation, because one shows oneself unable to act.

Six in the fourth place means:

Remorse vanishes.

During the hunt

Three kinds of game are caught.

When a responsible position and accumulated experience lead one to combine innate modesty with energetic action, great success is assured. The three kinds of animals referred to served for offerings to the gods, for feasting guests, and for everyday consumption. When the catch answered all three purposes, the hunt was considered especially successful.

HEXAGRAM 06 – Sung - Conflict

Above CH'IEN THE CREATIVE, HEAVEN

Below K'AN THE ABYSMAL, WATER

The upper trigram, whose image is heaven, has an upward movement; the lower trigram, water, in accordance with its nature, tends downward. Thus the two halves move away from each other, giving rise to the idea of conflict.

The attribute of the Creative is strength that of the abysmal is danger, guile. Where cunning has force before it, there is conflict.

A third indication of conflict, in terms of character, is presented by the combination of deep cunning within and fixed determination outwardly. A person of this character will certainly be quarrelsome.

THE JUDGMENT

CONFLICT. You are sincere
And are being obstructed.
A cautious halt halfway brings good fortune.
Going through to the end brings misfortune.
It furthers one to see the great man.
It does not further one to cross the great water.

Conflict develops when one feels himself to be in the right and runs into opposition. If one is not convinced of being in the right, opposition leads to craftiness or high-handed encroachment but not to open conflict.

If a man is entangled in a conflict, his only salvation lies in being so clear-headed and inwardly strong that he is always ready to come to terms by meeting the opponent halfway. To carry on the conflict to the bitter end has evil effects even when one is in the right, because the enmity is then perpetuated. It is important to see the great man, that is, an impartial man whose authority is great enough to terminate the conflict amicably or assure a just decision.

In times of strife, crossing the great water is to be avoided, that is, dangerous enterprises are not to be begun, because in order to be successful they require concerted unity of forces. Conflict within weakens the power to conquer danger without.

THE IMAGE

Heaven and water go their opposite ways: The image of Conflict.
Thus in all his transactions the superior man

Carefully considers the beginning.

The image indicates that the causes of conflict are latent in the opposing tendencies of the two trigram. Once these opposing tendencies appear, conflict is inevitable. To avoid it, therefore, everything must be taken carefully into consideration in the very beginning. If rights and duties are exactly defined, or if, in a group, the spiritual trends of the individuals harmonize, the cause of conflict is removed in advance.

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Details

Index Membership: Dow Jones Composite
Dow Industrials
Sector: Financial
Industry: Regional - Mid-Atlantic Banks
Full Time Employees: 286,951

Mr. Brian T. Moynihan , 51, Chief Exec. Officer, Pres, Director and Member of Exec. Committee

Business Summary

Bank of America Corporation, a financial holding company, provides banking and nonbanking financial services and products to individuals, small- and middle-market businesses, large corporations, and governments in the United States and internationally. The company's Deposits segment generates savings accounts, money market savings accounts, certificate of deposits, and checking accounts; and Global Card Services segment provides the U.S. consumer and business card, consumer lending, international card and debit card services. Its Home Loans & Insurance segment offers consumer real estate products and services, including mortgage loans, reverse mortgages, home equity lines of credit, and home equity loans. It also provides property, disability, and credit insurance. The company's Global Commercial Banking segment offers lending products, including commercial loans and commitment facilities, real estate lending, leasing, trade finance, short-term credit, asset-based lending, and indirect consumer loans; and capital management and treasury solutions, such as treasury management, foreign exchange, and short-term investing options. Its Global Banking & Markets segment provides financial products, advisory services, settlement, and custody services; debt and equity underwriting and distribution, merger-related advisory services, and risk management products; and integrated working capital management and treasury solutions. The company's Global Wealth & Investment Management segment offers investment and brokerage services, estate management, financial planning services, fiduciary management, credit and banking expertise, and asset management products. Bank of America Corporation serves customers through a network of approximately 5,900 banking centers and 18,000 automated teller machines. It was formerly known as NationsBank Corporation and changed its name on October 1, 1998. Bank of America Corporation was founded in 1874 and is based in Charlotte, North Carolina.

Why Bank of America Should Split Apart

Michael White, of Dow Jones Investment Banker, reports:

A radical way for Bank of America to revive its flagging stock price and more than double its value would be to spin itself off into five pure-play operating entities.

This exercise makes more sense than ever. In doing so, each operating entity becomes an easier story for investors to understand and a more manageable operating unit better situated for growth and less prone to systemic risks.

Bloomberg News

U.S. banking deregulation that started in the 1990s paved the way for Bank of America to cobble together its financial services empire. Since then, the bank has acquired dozens of companies for more than \$260 billion. With its stock now worth less than half of that, Bank of America needs to admit its failures and break itself up.

BofA's five spinoff units would focus on commercial banking, corporate and investment banking, credit cards, mortgage banking and wealth and investment management. The bank's other two operating segments could be easily dealt with. The deposits segment could become part of the commercial banking spinoff to create a national retail and commercial banking powerhouse serving the middle market.

BofA's other segment, which consists of the bank's equity investments, investments used in managing balance-sheet risks and other non-strategic assets, could be sold off in piece-meal transactions.

A sum-of-the-parts analysis implies a break-up value of between \$250 billion and \$290 billion, or about \$25 to \$29 per share. With the company's stock trading at \$11.64, the break-up could unlock between \$130 billion and \$170 billion in value, increasing shareholder value by 2.0x to 2.4x.

BofA's stock continues to drift lower and is now trading at 7.7x forward earnings, 0.5x book value and 0.9x tangible book value — all values that suggest it's a broken stock that needs to be fixed. This compares to average multiples of 9.3x, 1.02x and 1.33x for BofA's five largest competitors. But rather than trying to mend it back together, breaking it up would be the better solution for investors, taxpayers and regulators alike.

* Includes deposits business segment; ** Includes sale of other assets segment of \$30.1 billion or 1x book value

Shareholders would benefit from the acceleration in their investment returns and have some upside via ownership in the five newly created entities. The financial system would benefit by having one less bank that is deemed too big to fail.

Bank of America's systemic risk has its roots in deregulation. Beginning in the mid-1990s, regulators passed a series of legislations that allowed a more active consolidation of the financial services industry. Banks raced to merge, creating bigger and bigger footprints.

BofA was one of the winners in the consolidation race with more than 40 acquisitions under its belt since the passage of the Riegle-Neal Act of 1994, which allowed interstate banking and ushered in the modern merger wave. However, the bank's reward has been an unloved stock with an earnings multiple that underwhelms. While recent stock performance can be blamed on operating underperformance and concerns about its mortgage operations, the bank has habitually traded at a discount multiple to its peers, partly due to its conglomerate discount but also weighed down by fears that another large, dilutive merger was just around the corner.

In recent months, the bank has telegraphed to the market that it's out of the acquisitions game and is committed to creating long-term value for its shareholders by delivering all of the bank's capabilities to its customer base.

Rather than trying to tie the knots between the bank's operations tighter, its best move may be to break itself up. Shareholders benefit and systemic risks are reduced. It's the patriotic thing to do.