

## **Banks Giving More Away, for Many Reasons**

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The nation's largest banking companies are increasing their philanthropic efforts - and changing their giving strategies - as they bulk up their balance sheets, but they still do not donate as much of their profits to charity as their counterparts in many other industries do.

Recent data released by two organizations that track corporate giving found substantial increases in total donations by big banking companies.

One of the reports also found that more of the donations, which traditionally have gone to local organizations within a bank's retail area, are going to organizations with a national scope - a shift that may suggest bankers' motivations also are changing.

"The days of simply writing checks because it is a nice thing to do are really past," Andrew D. Plepler, the president of the Bank of America Charitable Foundation Inc. and the head of philanthropic efforts at Bank of America Corp., said in an interview last week.

The National Committee for Responsive Philanthropy said in a report issued June 29 that charitable giving by seven large, acquisitive banking companies rose from \$41.8 million in 1995 to \$488.9 million in 2005. The report, "Banking on Philanthropy: Impact of Bank Mergers on Charitable Giving," was based on interviews with community groups and industry executives, as well as reviews of foundation tax returns. It looked at B of A, Citigroup Inc., JPMorgan Chase & Co., Wells Fargo & Co., Wachovia Corp., Washington Mutual Inc., and SunTrust Banks Inc.

The substantial increase in giving reflects huge balance-sheet growth at those companies. Citi,

for instance, had \$2.02 trillion of assets on March 31, whereas Citicorp, one of its predecessors, had \$257 billion at the end of 1995. B of A had \$1.5 trillion on March 31 and \$187 billion at the end of 1995. JPMorgan Chase, Wachovia, and Wamu had similar growth rates.

Though philanthropy by banking companies has been increasing in recent years, Aaron Dorfman, the head of the committee, said the industry still trails others when measured by the common metric of contributions as a percentage of pretax profits.

Preliminary findings released last week from a survey by another organization, the Committee Encouraging Corporate Philanthropy, found that giving by the financial services industry rose 6% last year from 2005, driven by several factors, including increased profits, better tracking of cash and in-kind giving, and increases in international giving.

In aggregate, however, the median financial services company's contribution rate, 0.64% of pretax profits, lagged that of most other industries. The average was 1%, according to the committee's survey.

The financial services rate was surpassed by industries such as utilities (0.93%), and industrials (0.87%). The energy industry, at 0.41%, was the only one with a lower rate than financial services, according to the survey of 113 companies.

The data may not be as precise as it sounds, however, because what constitutes charitable giving varies from company to company, making comparisons of total contributions difficult.

Wamu, for example, says it gives 2% of pretax profits to charitable organizations, while Wachovia says it gives 1%. But Wachovia measures only grants to organizations, and Wamu's total includes low-cost loans to nonprofits, according to the June 29 report.

Mr. Dorfman said in an interview last week that his group is pushing for increased standardization of reporting.

"There's no standard way of counting what is included in their definition of corporate philanthropy, and the reporting is not great - much of it is not externally verifiable," he said.

Reza Aghamirzadeh, Wamu's senior vice president for community and external affairs, said in an interview that cash contributions account for about half of its overall annual giving, and that the Seattle thrift company includes all forms of giving in its total, including paid employee time volunteering.

"We've been very open and transparent about our giving program and what the components are," he said.

Affordable housing is an area Wamu emphasizes in its giving and "tries to give to the community additional resources beyond money," Mr. Aghamirzadeh said.

In the past, giving among banking companies tended to correspond with branch networks, but that appears to be changing as companies think more strategically about philanthropy.

For example, Mike Rizer, Wachovia's director of community relations, said in an interview last week that the Charlotte company is evaluating how to adjust its charitable activities in light of its deal to acquire A.G. Edwards & Sons Inc. of St. Louis.

That deal is scheduled to close this quarter and Wachovia has said that its securities unit would be headquartered in St. Louis after the deal closes. The company is looking to demonstrate its commitment to the city by stepping up its philanthropic efforts there, he said.

"We had also begun to look at some of the other areas of the country that are major cities for our corporate investment bank and our securities business where we don't have a retail presence," Mr. Rizer said. "We haven't formulated that plan yet, but we are looking at that dynamic."

Mr. Dorfman said his group's data is "definitely showing a trend away from funding the local groups and toward funding the national groups."

Though he said that trend will put some local communities at a disadvantage, he is not surprised by the change.

As banking companies get larger, "it's easier to make fewer grants and to national organizations," he said.

Mr. Plepler said B of A continues to make most of its donations locally - it provides unrestricted grants to nonprofits in 44 communities through the its foundation's Neighborhood Excellence Initiative - but that it has been doing more nationally since acquiring the card company MBNA Inc. last year. That company's national scope dictated a broader geographical strategy, he said, and B of A has chosen to maintain most of MBNA's relationships with charities.

MBNA's donations, "probably because they didn't have the retail presence we had or the footprint we did, were more around national organizations," he said.

Bank executives say their companies strive to be good corporate citizens in the communities where their employees live and work, but Citi sees a clear association between business strategy and charitable giving.

"In some markets, there might be a synergy between what we're doing on the philanthropic side and business side," Alan Okada, chief administrative officer of the Citi Foundation, said in an interview last week.

Citi has donated to groups in China for years to "be supportive of an environment where our businesses can operate," he said. "Those contributions to support community organizations in China are not directly benefiting our business in China, but it helps build a more conducive environment for our business to operate in that country."

Mr. Plepler said that regardless of the precise purpose to be served, everyone in the industry is taking charitable giving more seriously. "All of us are looking to be relevant and impactful."

GRAPHIC: photo, Dorfman, Rizer

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