

## **Banks Say They Gave More in '06**

### **Donations rise more than earnings, but miss 1% benchmark**

By Rick Rothacker  
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For the second consecutive year, Charlotte's big banks in 2006 saw their charitable giving rise more than their profits.

Bank of America Corp. and Wachovia Corp., however, fell short of a philanthropy benchmark of 1 percent of their pre-tax profits, according to an Observer analysis of IRS filings recently released by the banks' foundations.

In a year in which it acquired credit card issuer MBNA Corp., Bank of America donated \$193.3 million through its foundation and MBNA's. That was 55 percent more than what the bank gave in 2005. In comparison, the bank's pretax profits jumped 31 percent in 2006 to about \$32 billion from the prior year.

The bank said it also gave away an extra \$10 million through other parts of the company. That put it above the \$200 million in contributions it said it would give after buying the Delaware-based credit card giant.

Wachovia's foundation donated \$74.9 million in 2006, up about 24 percent from 2005. In comparison, pre-tax profits climbed 21 percent. In addition, the bank said it gave away an extra \$5 million, for a total of nearly \$80 million in giving.

In North Carolina, Bank of America said it donated about \$18.1 million. Wachovia said it gave about \$19.5 million in the state.

Both banks are an important philanthropy bellwether because they are the city's biggest corporate givers and among the largest in the U.S. Bank of America was the second biggest cash giver behind Wal-Mart Stores Inc. in 2006, according to data collected by the Chronicle for Philanthropy, which tracks charitable giving.

Bank of America and Wachovia are facing potentially down profit years in 2007 and a difficult environment in 2008. But both said their giving would not drop off.

Bank of America spokeswoman Nicole Nastacie said the bank plans to donate \$200 million again in 2007 and more in 2008. Wachovia spokeswoman Aimee Worsley said the company expects giving to increase year over year.

### **Quantifying Philanthropy**

Comparing philanthropy among companies and industries can be difficult because corporations often count their donations differently. According to a recent study by the Committee Encouraging

Corporate Philanthropy, companies reported a median increase of 4.8 percent in charitable giving in 2006, counting data from corporations that disclosed contributions to the group in 2005 and 2006. The organization found these companies gave away 0.93 percent of pretax profits in 2006.

Financial firms, however, gave away less -- about 0.69 percent. Banks often miss the 1 percent goal because they have large profits and typically give away only cash, instead of product donations such as pharmaceuticals or computers.

Including the non-foundation contributions, Bank of America gave away about 0.64 percent of pretax profits in 2006; Wachovia donated about 0.69 percent.

Companies often compare their donations to the previous year's pre-tax profits because that's when they developed their foundation budgets. By that measure, both banks gave away about 0.8 percent of profits.

Nastacie said Bank of America was proud of the company's charitable giving in 2006 and pleased with the increase compared to profits. Worsley said Wachovia's goal is to give away 1 percent of the previous year's pre-tax profits.

### **Concerns amid Mergers**

The wave of banking mergers and acquisitions in recent decades has raised concerns about the industry's charitable giving, but a study this summer found donations actually increased amid massive consolidation.

Seven major financial institutions, including Bank of America and Wachovia, saw their total giving increase to \$400 million in 2001 from about \$100 million in the late 1980s, according to the National Committee for Responsive Philanthropy. The South received the most grants from these institutions, now more than \$120 million annually, the group found.

Following last year's MBNA acquisition, many nonprofit organizations in Delaware were worried

Bank of America would give less than the credit card company to local causes. The MBNA Foundation, however, saw its giving increase 35 percent to about \$48.5 million from 2005, according to its filing with the IRS.

Rashmi Rangan, executive director of the Delaware Community Reinvestment Action Council, said Bank of America has given more to activities such as housing and small-business counseling. Even though her group was critical of the acquisition, it has received \$50,000 after having never received a donation from MBNA in the past.

"From my perspective, they've made good progress," she said, but adding: "We're still concerned about (the interest rates on) their credit cards."

### **Bank Foundation Giving**

#### **BANK OF AMERICA**

- 2006: \$193.3 million\*
- 2005: \$125 million

#### **WACHOVIA**

- 2006: \$74.9 million
- 2005: \$60.6 million

\*Includes MBNA Foundation

SOURCE: 990 forms filed with the IRS

### **Wachovia also a Beneficiary**

Wachovia's foundation saw its year-end balance increase more than six-fold to about \$376 million in 2006.

That's largely because of an unusual gift made by Golden West Financial Corp., which Wachovia acquired last year. Shortly before the merger became official, the California-based mortgage specialist transferred about \$370 million in Freddie Mac stock it owned to the bank's charitable arm.

The contribution was disclosed in an earnings report last year. Golden West had been an initial shareholder in Freddie, the government-sponsored entity that buys mortgage loans.

"This gift will enable the Wachovia Foundation to maintain a consistent, generous level of giving

over time, through a variety of economic cycles," spokeswoman Aimee Worsley said.

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