Banking on Philanthropy

Impact of Bank Mergers on Charitable Giving

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national committee for
responsive philanthropy

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— Becky Sherblom, June 2007

Executive Summary

The National Committee for Responsive Philanthropy and the Rockefeller Foundation undertook this project in an attempt to get a sense of what has happened in bank philanthropy through some of the largest bank mergers in the United States. The 1990s saw significant growth in banking corporations, with numerous mergers and acquisitions, as well as organic growth and expansion. The decade also was a time of significant change in the way the broader corporate sector viewed, and utilized, philanthropy.

It was assumed formerly that corporate philanthropy was simply an extension of the charitable interests of the corporate leadership—carried out to support their interests and to curry favor and positive good will for the individuals. The complexion of corporate philanthropy has changed radically in the last decade. Now, more than anytime in the past, corporate giving has become integral to a company's DNA. Companies are working strategically to incorporate their giving into the business model.[1] Additionally, community advocates have done critical work in pushing regulators and banks to ensure that community needs are not forgotten in the process before, during, and after mergers.

This study found that as banks experienced significant growth in the 1990s, philanthropy among the seven bank constellations in this report not only has not decreased through this period of time, but in fact has seen significant and sometimes exponential growth. In 2001, for example, total giving for the constellations studied amounted to more than $400 million. This is quadruple the average annual giving levels observed in the late-1980s, which averaged around $100 million annually.

There is evidence among some banks of a shift toward funding national organizations, with a corresponding drop in local giving. There has also been a shift across regions, with the southern region being a clear winner of increasing bank philanthropy.

Another finding is that community advocates have contributed to increased levels of philanthropic giving by banks and that a strong philanthropic culture at one or both banks prior to a merger contributes to increased levels of philanthropic giving after the merger.

Finally, this study also found that a significant majority of the bank foundations' IRS 990-PF returns are in violation of the IRS rules regarding what information should be included in the return. Many claims made by banks about their philanthropy are not externally verifiable, and there is a lack of standardization regarding what is included in the definition of "philanthropy" by financial services corporations.

As a result of the research findings, NCRP makes several recommendations for continued advocacy for increased philanthropic giving and for improved disclosure and tracking of corporate philanthropy.

I. Introduction

The National Committee for Responsive Philanthropy (NCRP) is a national watchdog, research, and policy organization committed to helping the philanthropic community advance the traditional values of social and economic justice for all Americans. Since its inception in 1976, NCRP has examined various issues on public accountability and accessibility among foundations, corporate grantmakers, individual donors, and workplace giving programs. NCRP also has used its research to focus on the impact of giving on racial and ethnic populations, on the level of giving in rural areas, and on other disenfranchised or under-served populations or communities. The role of banks in philanthropy emerged in the course of several NCRP studies; while looking at rural philanthropy and at giving in low-income communities, banks often were found to be leaders in giving to these communities. This report marks NCRP's first attempt to focus its efforts on bank philanthropy and, specifically, on the impact of mergers in the banking industry on bank philanthropy.

Banking corporations have been changing rapidly in the past ten years as legislative changes facilitated larger and larger mergers covering ever-widening geographic areas. This phenomenon, in turn, changed the way that very large banks define their "community" while changes in technology have facilitated new ways for banks and customers to interact, often without face-to-face contact. At the same time, the broader environment for corporate philanthropy also changed. As the mergers among prominent banks have become larger and larger—"mega mergers" as they sometimes are called—three key questions have emerged: What impact are mega mergers having on the geographical areas that banks define as their new "communities"? What is the impact of bank mergers on bank philanthropy? What role should these mega-banks play in philanthropy?

The question of the impact of mergers is far more complex than simply whether the new mega-corporation gives more, less, or the same amount as did the bank prior to the merger. It also concerns where and how the corporation gives, its philanthropic focus, and how giving relationships are established and maintained. One commonly held perception—using a "to the victor belongs the spoils" concept—is that communities that were formerly headquarters will experience a decline in giving by the post-merger entities, while the communities that become the new headquarters of the acquirer will benefit. For example, when a New York bank conglomerate buys a bank in Texas, the communities in Texas fear a loss of local leaders, less local decision making to develop products that meet the unique local needs, a reduction in the employment base, and a loss of grant funds to local nonprofit organizations.

Community advocates also may fear a shift in decision-making power out of the acquired company's community, resulting in a loss of affinity or loyalty—a fear that there will be no one at high levels of leadership in the new mega-corporation who cares about the concerns of their community; no more face-to-face conversations and creative thinking to address local needs. Another concern includes whether a larger mega-corporation will shift in focus away from a unique set of local needs to a national set of priorities. Lastly, there is the fear that funding will be stripped from local organizations to give to larger, regional, or national organizations that can provide wider publicity for the post-merger bank, thus better enhancing the bank's public image while providing a significant administrative ease of fewer grantees within a larger budget.

There has been some research on the broader topic of corporate mergers and on trends in corporate philanthropy independently and in conjunction with mergers. Little research, however, has focused specifically on banks, bank mergers, and their impact on bank philanthropy over the past 10–15 years. This study focuses on the impact of the mergers on charitable giving by banks and examines how the changing landscape of retail banking ultimately changes bank philanthropy and the way funds are channeled to community organizations. As a result of a merger, banks usually net greater financial resources. Does this mean more money for nonprofits or perhaps less? These resulting institutions are so large and cover such an expansive geographic region that it may not be possible for them to pay close attention to each local community and the myriad of needs within that community. Nor is it easy for the multiple communities to be able to track and hold the corporation accountable for its giving.

This report attempts to answer some the following key questions: What level of giving is the right level, and in which geographic areas? Is it based solely on where the institution does retail banking, or is the corporation's broader market mix relevant? As each of the corporations has expanded beyond retail banking to other financial services, what impact does or should that have on where and how they distribute their giving? Is there a "right" level of corporate profits that should be distributed through corporate philanthropy? What about the reality that many of these larger financial corporations are now becoming global companies—what impact does or should that have on their philanthropy?

With this report, the goal of NCRP and the Rockefeller Foundation is to look objectively at a snapshot of bank merger data, and to shed light on the trends in giving among bank foundations through this time of mega-mergers. We hope that this research will highlight new experiences and further the conversation on best practices and lessons learned. Finally, we hope that this work will aid both banks and community organizations to develop better strategies for improving the use of philanthropy. It can serve as a tool for community advocates who can take the performance of the bank mergers in this study to press other banks to match or beat their levels of giving. And it can be used by in-bank advocates of bank philanthropy who know that, in many cases, bank mergers have resulted in pressures to cut costs and, sometimes, philanthropic giving and the corresponding staff. Those staff hopefully can use this report to help fashion messages within their institutions arguing for the maintenance of bank grantmaking.

METHODOLOGY

To begin to define and clarify the research questions, NCRP undertook a literature review of bank mergers, the impact of corporate mergers on corporate philanthropy, and more general trends in corporate philanthropy. NCRP convened a panel of participants to help in defining the key issues, players, and trends (see Appendix A.) Fifteen bank "constellations"[2] were identified initially, and later refined to a final list of seven. NCRP then developed profiles on these entities, including their merger histories and charitable giving records. This final list includes six of the largest financial services corporations in the United States, plus one midsized regional bank.

We collected a list of bank foundations for the seven selected constellations and secured copies of bank foundation 990-PFs to build a database of giving information. As private foundations, bank corporate foundations are required to file with the Internal Revenue Service annual 990-PF tax returns reporting their income and expenses, with detailed information on their grant distributions.

We obtained 990-PFs from Guidestar, the Foundation Center, and the Economic Research Institute's web site on nonprofit salaries. When a particular 990-PF was not available through one of these three electronic databases, we obtained paper copies either from the IRS directly or from the Foundation Center Historical Foundation Collection, Ruth Lilly Special Collections and Archives, IUPUI University Library, at Indiana University–Purdue University Indianapolis.

We used the following data from the 990-PFs:

> Information related to the total amount a foundation distributed as grants in a particular year. This data was taken from one of two places. The first is from Line 25 of the 990-PF form. If Line 25 was not available, a calculated total was used. The calculated total is the sum of the regional, national, international, and unknown funds distributed that year.
> The amount distributed for each region (including national and international) for each entity within the constellation for every year available. This was calculated through a summing of the individual grants if there was no regional total provided.
> The number of grants, total and per region, for each entity available. Evidence that grants range by a significant amount precluded providing average grant amounts based on total distributed and number distributed.

In order to look at the data over time, we compiled all foundations that had been affiliated with any of the banks within a single current bank constellation. For instance, the Bank of America constellation graphs included foundations affiliated with Bank of America, NationsBank, Fleet, and earlier banks each of those three had acquired prior to their merger. These data were examined for general trends in giving and to understand if and how the total amount given over time changed as constellations absorbed entities with related foundational grantmaking. For a complete list of what bank foundations were included, with their corresponding EIN number, see the tables in Section VII.

In order to look at the data at the regional level, NCRP broke the country into four regions (see Appendix B). All grant awards that could be attributed to a grantee for work in a specific state were attributed to the appropriate region. Awards that were made for national work were attributed to "national grants," and those that were questionable in purpose or organization were attributed to "unknown" and not used in the regional breakdown.

We also examined data to determine if merger dates considered "major" by both the literature and key informant interviewees caused noticeable changes in constellation grantmaking. Unfortunately, the answer to this question for the 2004 mergers of JPMorgan Chase with Bank One, and Bank of America with FleetBoston, cannot be fully formulated yet because several 990-PFs for 2005 are not yet available for research. Quite a bit can be seen from the data that was available, especially when comparing it with bank Web sites and their reports to the Foundation Center's Corporate Giving Directory.

We also gathered annual reports and web site information, reviewed Community Reinvestment Act (CRA) statements, CRA agreements, and CRA/bank regulator and congressional hearing notes on bank mergers. We interviewed key corporate officials within as many of the banks as would participate, as well as community leaders at nonprofits in two large cities affected by prominent mergers.[3]

LIMITATIONS OF THE RESEARCH

There are several thousand banks, in addition to the seven forming the focus of this report, that are also doing solid, innovative work in charitable giving. They were not included in this study because of restraints in resources. Further, this study is by no means an exhaustive or even comprehensive picture of all the corporate philanthropy or charitable giving for the entities highlighted. It was beyond the scope of this study to document every merger and acquisition by every bank that eventually was subsumed under the final seven constellations. Furthermore, gaps in the data exist because not all foundations for all banks studied could be identified, nor could 990-PFs be obtained for all of the foundations for which names and Employer Identification Numbers (EIN) existed and for all of the years applicable.

Despite IRS rules requiring full disclosure of all grantees, including the amount of the grant, the purpose, the legal name of the grantee, and their address, we found that the overwhelming majority of the returns by all bank foundations list solely the name of the grantee and the dollar amount of the grant. Consequently, it is impossible to consistently track the purpose of the grant (e.g., arts and culture, community development). Secondly, despite the IRS rules requiring it, grantee addresses were not provided in the majority of 990-PF returns, requiring additional research to know where nonprofit grantees were located in order to track the geographic distribution of grants. Where we were unable to determine that information with confidence through external sources, the grant has been placed within the column of "unknown geographic area."

Even with the limitations and gaps in the data, a clear picture has emerged with the study of how individual bank corporations and cumulative bank philanthropy has grown and changed over the past ten years. From this, conclusions and recommendations are drawn for the future.

Little has been written specifically about philanthropy in the context of mergers of financial institutions. Therefore, much of our effort ties together anecdotal information on this topic, and builds on related studies on bank mergers and more general corporate mergers and corporate philanthropy. While it is true that the banking sector has some unique environmental realities, it also is true that these large financial institutions match up with other corporations in many ways. The broader context is relevant to what has occurred in banks over the past ten years, especially the practice of philanthropy within a national and global context.

II. Why Corporations Give

The role of corporate philanthropy has changed greatly in the past ten years in terms of outsiders' perceptions of corporate giving and its use as a tool of the corporations. It was formerly assumed that corporate philanthropy was simply an extension of the charitable interests of the corporate leadership—carried out to support their interests and to curry favor and positive good will for the individuals.

It is not unusual, of course, for a corporate leader to be a person of wealth who becomes a philanthropic presence in a community in his or her own right. And some individuals extend their largesse through their corporate leadership role—not for personal interests but to support the community and build the reputation of their institutions as good corporate citizens. In 2003, when Bank One was a major philanthropic player in Chicago, it was led by then CEO Jamie Dimon, who, with his wife Judy, gave $1.2 million of their personal income to local fire stations for the purchase of thermal imaging cameras.

Similarly, under the direction of CEO Robert G. Wilmers, M&T bank developed a strong reputation for corporate philanthropy. M&T dominates Buffalo's political and civic scene and has contributed funds and hundreds of volunteers to schools, zoos, museums, and hospital boards in the community. Wilmers offered up to $4 million of personal funds to match contributions to the Buffalo Zoo, and pledged $1 million to restore the Darwin Martin house, designed by Frank Lloyd Wright. This level of philanthropy brings personal benefit, and also enhances the image of the corporation he leads.[4]

Another long-accepted motivation for corporate philanthropy is that it enhances corporate value while building goodwill with employees, regulators and the community/customers. Each of the mergers addressed in our research involved a review by bank regulators, and frequently the active voice of local community advocates and nonprofit organizations who were concerned with the impact the merger would have on their communities. CRA agreements were negotiated as part of many of these bank mergers, with philanthropy a key component within those. As noted later in this report, merger activity does influence bank behavior prospectively—banks generate community good will using their philanthropy in order to gain support for an acquisition or merger.

Much has been written about the motivations for corporations to undertake philanthropy; most acknowledge that charitable giving is important to remain competitive in the market. Philanthropy helps attract and retain quality employees, makes the corporation stand out among the competition and influences the quality of the communities where the business has its investment. The discussion around corporate giving has moved far away from the early questions of whether a corporation should do charitable giving. Even Milton Friedman, the late economist who, in his early years, argued that a corporation's only obligation was to return as much profit as possible to shareholders, later acknowledged that "it is in their self-interest to have the good will of the community."[5]

Michael Porter and Mark Kramer, writing in the Harvard Business Review in 2002, identified three categories of motivation for corporate philanthropy:[6]

1. **Communal obligation**: support of civic, welfare, and educational organizations, motivated by the company's desire to be a good citizen;
2. **Goodwill building:** contributions to support causes favored by employees, customers, or community leaders, often necessitated by the *quid pro quo* of

business and the desire to improve the company's relationships; and

3. Strategic giving: philanthropy focused on enhancing the competitive context.

The Committee to Encourage Corporate Philanthropy (CECP), an organization established in 2001 in New York to promote corporate philanthropy through the engagement of CEOs, created the Corporate Giving Standard, which it describes as "a comprehensive online data collection, reporting, and benchmarking system." The Corporate Giving Standard also uses three motivators, which are slightly different from those put forward by Porter and Kramer. The Corporate Giving Standard puts Porter and Kramer's Communal Obligation and Goodwill Building together under what the Giving Standard calls "charitable." Then they divide Porter and Kramer's "strategic" into two subcategories which they differentiate as "strategic" and "commercial." The Corporate Giving Standard definitions focus on who derives the primary benefit from the action:

1. Charitable—reactive or input-driven giving, from which the company expects little or no business benefit in return, except for showing that the business cares and is a good neighbor;
2. Strategic—proactive and primarily output-driven giving, in which the company makes donations that are simultaneously important to the long-term success of the business and serve a critical community need, including establishing a long-term relationship with nonprofit partners; and
3. Commercial—in which the benefit to the corporation is the primary reason for giving, with the good to the community or cause being secondary, including giving to a cause that is important to a key vendor or customer, and cause marketing, such as credit card issuers linking with hunger causes to motivate cardholders to use their credit cards.

As philanthropy has become more closely integrated into the strategic actions of corporations, it also has garnered some level of skepticism among consumers regarding true motivation. This wariness is epitomized in Porter and Kramer's anecdote regarding Philip Morris and how it spent $75 million on its charitable contributions in 1999 and then launched a $100 million advertising campaign to publicize them.[7] While this research project did not find evidence of such blatant misrepresentation among the seven financial corporations, there are gaps between what is verifiable and what has been claimed in press releases and annual reports by the corporations, as we will show later.

THE CHANGING PLACE OF PHILANTHROPY IN THE CORPORATION

Corporate philanthropy has become so much a part of the accepted environment that there has been a growth in corporate, nonprofit, and academic entities focused on studying it as part of the larger trend in corporate social responsibility. And if the true measure of an issue's prominence is the existence of a trade association, there is now the Association of Corporate Contributions Professionals (ACCP), founded in 2004, which provides services and support "for corporate contributions, community relations, and employee volunteerism."

In February 2006, CECP convened a roundtable discussion among 28 leading CEOs and chairpersons on the topic of corporate philanthropy. CECP issued a discussion summary that is very informative when considering the current place that CEOs give to philanthropy in corporate culture:

> "The CEOs in attendance were united in the conclusion that the complexion of corporate philanthropy has changed radically in the last decade. Now, more than anytime in the past, corporate giving has become integral to a company's DNA. Companies are working strategically to incorporate their giving into the business model."[8]

The participating CEOs strongly articulated the need for focus in their corporate philanthropy, but at the same time recognized that too narrow a focus could become detrimental, especially as, "Employees and customers like to see philanthropy dollars at work locally. Focusing on national or global programs may cause these constituents to lose a sense of connection to a company's philanthropy."[9] And yet, in an increasingly global economy, most large corporations have offices across the world, so localized giving occurs both domestically and in foreign countries. There also is a growing expectation that international corporations will make significant charitable contributions when there is a natural disaster anywhere in the world. For this reason, the participating CEOs noted increased use of an allocation model for philanthropy, in which a portion of the budget is disbursed in a localized fashion, a share is set aside for disaster relief, and the remainder is used for strategic and focused giving.

Corporations use a balance of localized giving and national or global giving. This satisfies the competing demands of employees and customers wanting local engagement, and the corporation wanting the recognition that national partners can gain them or the goodwill that being affiliated with an important national or international cause will garner. This balance became evident in NCRP's review of the philanthropic strategies within the seven bank constellations studied. Many divide their philanthropy between local market giving and national/strategic giving; and those few who have global giving programs segregate them from the domestic giving. The goal is to help all stakeholders feel good about the specific grantee(s) they care about, without fearing that any one gift comes at the expense of any other.

Critics argue that as philanthropy increasingly becomes simply another strategic business tool, the needs of communities lose out. Corporate sponsorships and cause-marketing may buy goodwill in the community, but should not be counted as philanthropy even though CECP counts it as commercially-motivated charitable giving.

III. Corporate Mergers and Philanthropy

The 1990s saw a trend in the corporate world toward larger and larger mergers, with corporate size further fueled by exponential organic growth. At the same time, the role of philanthropy within the corporations has matured, and the way it fits into the merger planning has evolved greatly.

A 1999 Corporate Philanthropy Report on Mergers indicated that through the late 1990s, corporate citizenship didn't enter the merger discussions until the very end of the process, so it was not part of the strategic business planning.[10] By 2001, that had begun to change. The Minneapolis-based Center for Ethical Business Cultures' (CEBC) 2001 discussion paper, "Mergers: Implications for Corporate Philanthropy & the Community,"[11] identified eight merger-related trends regarding the role of philanthropy before, during, and after a merger. Among them were several trends relevant to our research:

> *The role of philanthropy in corporate mega-mergers has changed dramatically in recent years.* Corporate philanthropy is a strategic asset. In addition to directly benefiting the community, effective use of corporate philanthropy can calm community fears, ease regulator concerns, alleviate worries of concerned employees, and help customers and the public better appreciate the vision of management.

> *Strong philanthropy programs in smaller or acquired companies can survive a merger under some circumstances.* It requires dedicated commitment from the leadership of the acquired company to place philanthropy prominently on the negotiating table as a key matter to be preserved.

> *Corporate giving does not always decrease after the merger.* Sometimes the level of giving rises in dollar amount, which may be due to stock price growth or increases in profits.

> *The "transition funding period" or the time between the merger and when funding for some recipients ceases seems to have decreased from two to three years to one year or less.* This makes it difficult for organizations that had a funding relationship with the pre-merger corporation to develop a relationship with the new corporate leadership or to "prove themselves worthy," and has significant impact on the organizations' budgets with little time for adjustment.

> *Immediate post-merger giving parameters no longer are a good predictor of long-term giving patterns.* As company interests change and differences in corporate strategies emerge, the role of philanthropy and community relations also changes. Corporate priorities are much more likely to shift over time, making long-term funding relationships very unlikely.

> *Corporations now are using mergers as an opportunity to reevaluate and overhaul the corporate giving program, even in areas not directly affected by the merger.* They make their giving programs more in line overall with the corporate business interests or marketing strategies, and with local involvement in giving decisions within company-wide parameters.

These trends are consistent with data from bank foundations 990-PF we tracked over the past ten years, which show that as a collective whole and within individual constellations, philanthropy has not decreased as a result of mergers. Our key informant interviews affirm that the transition period for funding grantees of the acquired bank that do not fit the new corporate focus is one year. The key informant interviews on the bank side noted that areas of focus remain relatively stable over time, with minor shifts of emphasis, but that this has only come to be true in the past few years as their corporate philanthropy programs became more sophisticated. Previously, there was little strategic connection or planning, and so, more turmoil. Nonprofit grantees experiencing the shifts in giving priorities articulated a more tumultuous picture than that painted by the bank representatives; local organizations attempting to retain and access bank foundation funds experienced only annual commitments and annual shifts in areas of interest.

The creation of a regional foundation by First Union, now Wachovia Bank, when it acquired Core States, is an example of how a strong philanthropy program and culture at a regional bank corporation, supported as a priority by the corporate leadership and further promoted through strong local community advocates, can assure the continuation of the philanthropy post-merger.

STRATEGIES FOR SUCCESS IN CORPORATE MERGERS

The Center for Ethical Business Cultures has identified key strategies supporting philanthropic success in corporate mergers. Some pertain to pre-merger activities that can positively influence the role of philanthropy and the perspective taken by the key stakeholders groups about the corporation; others are actions that can occur during or after the merger. These strategies are for community advocates hoping to continue the successes of past mergers in which philanthropy has remained strong and grown throughout the merger process. It is also for in-bank staff and leadership who can take important steps to position philanthropy within the business so that it can survive the persistent cost-cutting measures that result in every acquisition or merger.

The CEBC identified Norwest Bank in Minnesota as an example of strategic and proactive efforts to protect philanthropy through any mergers.

> "Norwest's [then] CEO, before any major merger was contemplated, created an annual vision and values statement that helped position corporate citizenship and philanthropy within the company. The statement rallied and broadened support within the company before and after the merger with Wells Fargo."[12]

Another example is Core States Bank, which had a strong corporate giving program and enjoyed an excellent reputation in its communities prior to its acquisition by First Union/Wachovia. As a condition of acquisition, Wachovia spent $100 million to capitalize a separate regional foundation to support grantmaking in the Core States' footprint of eastern Pennsylvania, New Jersey and Delaware.

These successes required advocates from both inside and outside the bank: internal leadership that valued the role of philanthropy and external advocates who were able to put pressure on the corporation and its regulators to ensure that philanthropy was not put on the chopping block for the sake of cost savings. External advocates have been, and can continue to be, successful even without the internal leadership support, by making corporate philanthropy a key component of merger negotiations—along with bank lending and deposit activities—through public hearings, testimony, and the press.

CORPORATE PHILANTHROPY – CHALLENGES OF DEFINITION AND MEASUREMENT

What is the appropriate measure to use when determining the "right" level of corporate philanthropy? And what should be included in the count?

The first challenge in answering these questions is that there is only recent consensus on what measures to use when calculating corporate philanthropy. Currently, in addition to the total dollar amount given, there are two other measures: the total dollar amount given either as a percentage of revenues or as a percentage of pretax profit.[13]

As Nelson Aldrich Jr. asked in an article in *Worth* Magazine, "*What is the true measure of corporate generosity? Is it the total size of a company's gifts to charity or its sacrifice in giving?"*[14] The measure used, whether total dollar amount or a percentage of profit or revenues, will determine whether a corporation is seen as a leader or not. According to a survey done by *Worth* Magazine, Bank of America ranked #1 on its list of Top Givers, with $92 million in giving in 1998, based on total cash contributions. But that didn't even get them onto the list of Top 50 Profit Sharers because that $92 million was only a small portion of Bank of America's overall profits for that year (giving as a percent of average earnings was just 0.92 percent).[15]

The Foundation Center, in its June 2006 report, *Key Facts on Corporate Foundations*, indicates that corporate giving as a share of company's pretax profits reached a record 2 percent in 1986. Following that peak, corporate giving declined steadily to 1 percent of pretax profits in 1996. As of 2004, the share stood at just 1.2 percent.[16] By comparison, the CECP's 2004 report found that as a percentage of pretax profits and revenues, the aggregate for financial services companies was 0.8 percent of pretax profits (and 0.18 percent of pretax revenue). This is lower than the health care industry and consumer discretionary sector, but on a par with the information technology and industrials sectors. When categorized by motivations, the financial services sector reported 48.6 percent of its giving as being motivated by charitable giving, 37.4 percent as strategic giving, and 18.6 percent as commercial giving.[17]

The second challenge is that there is little consensus on what should be included in the count for the total amount of annual corporate giving. Is it just cash? Is it cash plus paid time off for employees to volunteer in the community? When talking about financial corporations, is it appropriate to include in the count any below-market loan rates or other concessions in their lines of business? If Wachovia measures its philanthropy in terms of giving 1 percent of pretax income in grants, counting all other activity as corporate activity rather than charitable giving, and Washington Mutual measures its charitable giving as 2 percent of pretax profit but includes in that calculation not only its grants but also low-cost loans to nonprofits and community loan funds, which is being more generous? Should there be a single consistent standard? Or should there simply be consistency in disclosure to prevent confusion and misunderstanding?

According to a *Boston Business Journal* article by Edward Mason in December of 2003, a Chronicle of Philanthropy Report claimed that in 2002, Bank of America's pretax profits increased by 30 percent while its charitable giving fell by 15 percent.[18] Bank of America disputed that, saying it supports charities and nonprofits through multiple means, and that the Chronicle report looked at only a slice of its work. The bank stated that in 2002, it gave $127.4 million to nonprofits and others through its foundation, employees, sponsorships, and in-kind services—not the $80.5 million that was reported. However, there was no external verification of the claim.

The lack of clarity in definition and lack of external verification allows corporations to put forward whatever claims they like, and to rebut whatever anyone else might say about their giving record. Should a corporation include in its own giving calculation the donations made by its employees? Are corporate sponsorships philanthropy or are they marketing? Among these seven bank corporations, the answer is very mixed. Some firms place sponsorships in the marketing cost column, others count it as philanthropy, making comparison difficult. CECP makes it clear in its Corporate Giving Standard that contributions from employees should not be included in the annual count of corporate giving; but that is a voluntary system, and what corporations report there and what they report to the public in their media and Web outlets evidently are sometimes different. Increasing standardization in definition and measurement would allow communities to critically assess what they are being told, as well as an "apples to apples" comparison of giving.

The majority of the banks now appear to measure and report their philanthropy as a percentage of pretax profit—with the exception of Bank of America, which continues to focus on the dollar level. Among those that do use the measure of a percentage of pretax profits, however, there is inconsistency in what is included in the count, as noted above regarding Wachovia and Washington Mutual.

The third challenge, after what to measure and what to include in the measure, is the matter of how to retain the information in a way that will allow corporations to both measure themselves over time and compare themselves to their peers. The Conference Board and Committee to Encourage Corporate Philanthropy both have developed tools to guide corporations in the art of defining and measuring their corporate giving. CECP created the Corporate Giving Standard in 2001, which provides a web-based tool for corporations to measure their giving in specific defined categories:

1. Direct cash and foundation cash grants
2. Non-cash (in-kind) contributions
3. Management and program costs (of running the corporate giving program)
4. Volunteer hours and the value of volunteer hours

By setting standard definitions and categories, and providing a database platform for holding and tracking the information, corporations can compare themselves to their peers both within and outside their specific industries. CECP also now is able to issue annual reports that provide a picture of corporate giving across the largest corporations and within certain sectors at aggregate levels. This is a step in the right direction; it nurtures the development of a common language and use of words. However, because these are voluntary and self-reported, with no external verification, the information has limited value for external review and monitoring of corporate philanthropy. It cannot replace the need for a stronger government requirement that corporations officially, consistently, and accurately disclose their corporate philanthropy.

IV. Bank Mergers

Looking more closely at banks and bank mergers, they can be seen to share some similarities with the broader corporate environment, and they also have unique history and motivators. The environmental stimulants for bank corporate mergers differ somewhat from the more general corporate world, because of the unique nature of banking as a federally regulated industry in this country and the changes that have occurred in that regulation, especially over the past ten years.

MOTIVATIONS FOR BANK MERGERS CHANGED OVER TIME

In the *FRBSF Economic Letter* of June 2004 (2004-15; June 18, 2004) Simon Kwan, vice president for financial research at the Federal Reserve Bank of San Francisco, noted that the mega-mergers taking place in recent years are markedly different from the mergers of the 1980s and early 1990s. Specifically, they are occurring among healthy, profitable companies in contrast to earlier mergers involving relatively weak banking companies being acquired by somewhat stronger organizations.[19] This means that there now are different economic motivations for mergers, which Kwan identifies as economies of scale, economies of scope, risk diversification and manager's personal incentives.[20] The latter, "manager's personal incentive," is a recognition that the growth of a company, like other corporation behaviors, is influenced by the personal desires of corporate leadership—to run a larger firm or to maximize their own personal welfare.

In his 1996 study, *"Bank Mergers & Industrywide Structure, 1980–1994,"* Stephen Rhoades classified two types of mergers: "horizontal merger," or in the same market, and "market extension," or a merger in which there is no duplication of market.[21] Horizontal mergers face more antitrust issues, because the company is buying a direct competitor, but also are believed to yield high efficiency gains because they allow the closing of overlapping (and thus competing) branches. The recent mega-mergers have been predominantly market extension mergers, striving for geographic and product diversification.

The economic attractiveness of market extension mergers was enhanced significantly by the lifting of strict anti-branching restrictions by states during the late 1980s and early 1990s, and then changes made by the federal government. This culminated in the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994, which allowed nationwide interstate banking through holding companies by June 1995 and interstate branch banks by September 1997. The holding company model opened new geographic markets to bank corporations, but it was expensive operationally because the corporation held each bank as a separate legal entity. The 1997 law change allowing interstate branch banks removed that cost barrier; it allowed aggregation of those back-office functions in a more direct and cost-effective manner and thereby facilitated a more cost-effective expansion model. This expansion facilitated economies of scale and risk diversification through geographic expansion, and supported a manager's personal incentives.

In his 2000 study, *"Bank Mergers & Banking Structure in the US, 1980–1998"* for the Board of Governors of the Federal Reserve System, Stephen Rhoades predicted that while Riegle–Neal facilitated mergers across state lines, the Gramm–Leach–Bliley Act of 1999 would have little merger impact because its authority to merge "cross industry" between commercial banks and securities and insurance underwriters was "likely to be considered by only a small number of very large banking organizations." However, these cross-industry mergers would improve risk diversification and economies of scope through product expansion. They could increase efficiencies because the infrastructure costs, such as staff, a branch building, and a customer base would already have been incurred, leaving relatively minimal added cost to expand into other services using that infrastructure.[22]

SIZE OF MERGERS CHANGED AFTER 1999

Rhoades, in his 1996 report on mergers between 1980 and 1994, said that the twenty-five largest banking firms acquired about 45 percent, or $542 billion, of all bank assets acquired during that time period. This compares to the time period of 1960–1982, when the proportion of acquired assets held by the twenty-five largest banks was just one-tenth of the whole. By 1994, the share of deposits held by the top ten organizations was 26.6 percent, compared with just 18.9 percent in 1980. And by 2004, after the Bank of America merger with Fleet, that bank alone would hold 10 percent of all deposits.[23]

Kwan also noted in the 2004 *FRBSF Economic Letter* that with mergers of two strong, large banks the level of merger activity has slowed comparatively since the 1990s while the magnitude of the mergers and amount of assets involved in each one has increased significantly. In recent years, the consolidation of mammoth financial institutions arguably has had more of an impact on the industry than earlier mergers. In January 2004, it was announced that JPMorgan Chase & Co. planned to purchase Bank One in a $58 billion merger. This deal created the second largest bank in the United States, smaller in size only to Citigroup.

When Bank of America acquired FleetBoston in March 2004, the merger attracted wide scale attention both locally and nationally as Congress presided over debates on the merger's impact in Boston. Due to the size of the merger, it not only raised the usual issues of CRA, loss of jobs and economic presence, but also the issue of market share consolidation. For the first time, the merger put nearly 10 percent of the retail banking market under the control of a single corporate entity.

TABLE 1: Top U.S. Banks and their Assets in 2004

Bank	Assets (billions)
Citigroup	$1,097
JPMorgan Chase + Bank One	$1,036
Bank of America + Fleet	$851
Wells Fargo	$349
Wachovia	$341
Washington Mutual	$268

LARGE BY ANY MEASURE

Table 1 shows the list of the top U.S. banks with their respective assets levels during the the Bank of America–Fleet merger in 2004.

In 2004, Wachovia purchased SouthTrust, followed by the purchase of WestCorp and its WFS Financial Inc. in 2005, and then Golden West Financial Corp in 2006. Table 2 shows the slight shift in the list of the top banks ranked by their retail banking operations (SunTrust included for comparison purposes) by the end of the Wachovia/Golden West merger.

The slight change in order of the banks is due to the

TABLE 2: Top U.S. Banks Based on Retail Banking Operations, 2006

Institution	Branches	Deposits (billions)	Assets (billions)	Revenues (billions)	Net Income (billions)
Bank of America	5,816	$606.3	$1,500	$74	$21
JPMorgan Chase	3,052	$420.8	$1,400	$61	$14.4
Wachovia/Golden West	3,503	$348.1	$707	$29.9	$7.8
Wells Fargo	3,209	$262.6	$482	$35.7	$8.5
Washington Mutual	1,572	na	$346	$21	$3.6
SunTrust	1,700	$124.4	$182	$8.2	$4.7
Citigroup	916	$205.8	$1,900	$89.6	$21.5

Source: SNL Financial as of 6/30/06 reported by Wachovia in a report to shareholders and individual bank annual reports.[24]

fact that one table ranks banks on corporate assets while the other ranks them according to their retail banking operations' number of branches, reflecting the complexity of accurate measures as these financial corporations continue to diversify their lines of business.

MERGER ACTIVITY DOES INFLUENCE BANK BEHAVIOR, PROSPECTIVELY

The anticipation of a merger appears to have significant impact on bank behavior. In their May 2002 Study, "*Regulatory Incentives and Consolidation: The Case of Commercial Bank Mergers and the CRA,*"[25] Raphael Bostic et al. found that banks prepare strategically for the regulatory and public scrutiny associated with a merger or acquisition by increasing their lending to low- and moderate-income individuals.

The sentiment is echoed by Cathy Bessant, president for community investment of NationsBank in 1997, during its acquisition of Barnett Bank of Florida. "Both NationsBank and Barnett Bank have made significant investment in meeting community needs over the past decade," she said. "In addition to being good business with high community value, these investments played an important role in providing a positive regulatory review of the merger, allowing it to be completed in a timely way and with minimum cost."[26]

Without the role of the community advocate pushing regulators and banks to do more through CRA challenges and ongoing meetings, it is unlikely that these banks would be doing as much in their CRA agreements, including philanthropy.

The American Bankers Association, in substantiating its belief that mergers have positive effects on communities, acknowledged that because banks are aware that merger transactions focus public attention on their role in the community, they frequently demonstrate their commitment immediately through greater lending and giving.[27]

V. The CRA and Philanthropy

Much of the earliest and most fruitful work for increasing bank philanthropy has come through community advocates making Community Reinvestment Act challenges. The current giving levels among these seven banks would probably not be as high if not for the advocacy work during the late 1980s and 1990s. Giving in the housing and community development world frequently intersects with the issue of community reinvestment, both in its generic sense and in the regulatory perspective of the Community Reinvestment Act. The act was passed by Congress in 1977 and required banks to meet the credit needs of all communities within their "service areas," including low- and moderate-income neighborhoods. As a result, bank corporations often negotiated CRA agreements that addressed levels of lending activity for homeownership, multifamily housing and small businesses, deposit account activity for low and moderate income families, and branch locations in low- and moderate-income neighborhoods during the 1980s and 1990s mergers. Generally, these agreements also included sections regarding hiring and diversity of bank staff, and grantmaking activity to nonprofit organizations in the community.

Because this grantmaking usually was linked to the need to improve the ability of low-and moderate-income families to secure loans, the grants generally were targeted to housing counseling agencies or small business loan counseling entities. For many people in the housing and community development field, CRA and philanthropy became entwined because CRA pertains to banks serving low- and moderate-income communities and philanthropy usually is about meeting community needs. Nonetheless, CRA is much broader than philanthropy, and corporate philanthropy is much broader than CRA. While it is impossible to talk about bank mergers without acknowledging the important role of CRA, and while the two spheres have some overlap, this report will focus on the impact of bank mergers on philanthropy, and will not dwell on the question of CRA.

During mergers and acquisitions, the pressure of review from legislators and communities frequently is on counting branches, market share, loan activity, and employment levels, because this regulatory review historically has been based in Community Reinvestment Act analysis, which looks at how well a bank is serving the breadth of its market, from the low-income families and neighborhoods to the middle- and upper-income communities.

CRA agreements are not legally binding. Banks that do not meet their CRA goals suffer no legal repercussions; a bank would need to be in flagrant disregard of CRA goals for there to be any negative impact on its business or expansion plans. As more and more banks already are receiving the highest CRA rating, a CRA challenge by advocates often carries little threat. Today, more banks are refusing to enter into CRA agreements. Increasingly, the large national banks are developing and issuing their own CRA statements, setting the bar for themselves each year and then reporting their progress, with no external verification of their claims.

Since CRA applies only to the retail banking services of financial corporations, CRA concerns a constantly shrinking portion of financial institutions. There is limited opportunity to successfully apply "reputation risk" pressure on bank corporations, and both philanthropy and community reinvestment advocates need to be more strategic in distinguishing clearly between a CRA agenda and a philanthropy agenda, and in clarifying how they do and do not overlap. For more in depth information about the history of regulation of bank mergers and CRA, we recommend the numerous quality papers available through the National Community Reinvestment Coalition.[28]

VI. Overview of Bank Philanthropy Structure

The ways in which corporations distribute charitable contributions are diverse, and only some methods are open to public review. Corporations make charitable contributions via internal divisions (corporate giving, marketing, community outreach) and externally through affiliated foundations. The IRS only requires disclosure of charitable activities made thorough corporate foundations. Subsequently, any analysis of corporate philanthropy that examines only publicly available information (annual reports, IRS Form 990-PF data, and other published accounts) will not reveal the full philanthropic picture of the corporation. As corporate claims of philanthropy become larger, and the role of philanthropy in serving corporate strategy becomes more prevalent, it is increasingly important that government step up and require full disclosure on an annual basis of all that a corporation considers "philanthropy." Requiring disclosure only of what is done through the corporate foundation no longer is enough.

Nonetheless, a close analysis of available IRS data reveals the volume of corporate foundation output in total grantmaking dollars and the geographic scope of philanthropy over time. Further research also could identify the types of causes and organizations that are being supported by corporate foundations, and the nature of funds being given (matching grants, scholarships, project support, or general operating dollars) that recipients of corporate grants obtain.

NCRP's analysis of bank philanthropy within these seven bank constellations reveals that in the process of mergers and acquisitions, banks distribute funds through multiple foundations under the names of the acquired and acquiring institutions. An inspection of charitable giving data shows that in any given year, multiple IRS 990-PFs were filed to document charitable activities of various affiliated foundations. The most straightforward model would be one in which there was giving through both the foundation of the acquired bank and the foundation of the acquiring bank during the year of the merger. That year or the next, the acquired bank's foundation might file a "final return," which will note either that all assets have been distributed to grantees, or that assets have been transferred to the acquiring bank's foundation, which might take on a new name.

In other instances, there may be a new foundation created by the acquiring company, with a focus that is specific geographically to the territory of the acquired company. SunTrust is a prime example of this, as it has multiple foundations filing returns annually, with names that reflect their heritage: SunTrust Bank of Tennessee Foundation used to be the the Third National Foundation before SunTrust purchased Third National Corp. of Tennessee; SunTrust Carolinas Group Foundation was formerly the CCB Foundation before the Central Carolina Bank was purchased by SunTrust; and the SunTrust Foundation MidAtlantic was formerly the Crestar Foundation, renamed after SunTrust's 1998 purchase of Crestar Bank.

Another example of this phenomenon, an anomaly within the sector, is Wachovia's Regional Foundation. Wachovia has a single central Foundation, the Wachovia Foundation. There also is a Wachovia Regional Foundation, which was created out of their purchase of CoreStates Financial in Philadelphia. A condition negotiated in the merger was that the bank would create a regional foundation dedicated to the region previously covered by CoreStates, which had a strong local reputation for philanthropy and community engagement. Wachovia capitalized the Wachovia Regional Foundation, and the foundation director reports to Wachovia's director of Community Relations.

The regional foundation is based in Philadelphia, has its own staff and offices, and makes contributions through a separate application process serving eastern Pennsylvania, New Jersey and Delaware.

Looking at the chain of acquisitions and mergers that make up a single bank and attempting to follow the chain of corporations and their corresponding foundations over the same time frame is extremely complicated. Not all banks have foundations; some have more than one foundation; and the timing of when the corporation name first appears or disappears from the public record and when the foundation does so is not always the same. With each chain of mergers and acquisitions came a labyrinthine philanthropic infrastructure. Over the past fifteen years, within each of these bank constellations' multiple corporations and foundations, each with its own individual grantmaking interests, strategies and administrative procedures were collapsed into a single bank brand. How this was accomplished differs at each bank corporation and influences not just the legal structure of their corporate and foundation entities but also how they relate to and fund nonprofit organizations today.

Often, a corporation will have a single foundation that manages the community grants as well as the employee matching program and other giving. In other cases, the corporation may create a separate foundation for employee giving, and perhaps another for scholarships the corporation awards to employees (and their families) to advance their education. All of the corporations have a structure in place to support event sponsorships and related activities through the corporate infrastructure, and keep that separate from their foundation. Only one of the seven corporations researched, Washington Mutual, has a policy in place to fund the overwhelming majority of corporate giving through the corporation, using its foundation for employee giving only. This is apparent in reviewing its 990-PF returns for the years 1993–2004, as there is a sizable decrease in the amount of grant awards reported through the 990-PF after it implemented the decision.

If one adheres to the belief that corporations should use their philanthropic dollars to support their bottom-line business, it would make sense for bank foundations to support nonprofits that produce housing or commercial space requiring mortgages and loans, homeowners who want a bank mortgage, or train people in financial education so they can be successful bank customers. Although these seven financial institutions support nonprofit organizations of this nature, they also support causes that are not directly related to housing and community development. This includes causes that reflect more general community needs of interest to their employees or otherwise meet the criteria of the three motivations for corporate philanthropy identified earlier. Bank of America, like the other six corporations, provides financial grant support to arts and cultural organizations. It, however, expressly makes the connection that they see this as economic revitalization support, placing it under the strategic business motivation category rather than as a more general charitable motivation.

The question of whether bank corporate foundations are more likely to provide operating support[29] over program dollars is nearly impossible to answer because there was no clear consistent definition for operating support in key informant interviews or written materials. Several of the large banks, at their Web sites and other materials and in key informant interviews, said that they provide core operating support. However, their grant applications require the applicant to focus on a specific project or program of the organization, with a project-specific budget. This is clearly project support, not core operating support. Bank of America provides flexible funding, but it is project specific. A notable exception is its Neighborhood Excellence Initiative, which gives significant operating support to organizations selected from within the community development sector. Because of this lack of clarity in the definition of operating support among key informants, we did not attempt to calculate any value for this in the data from the 990-PFs.

When asked whether he provides general operating support, one banker was quick to state, "I do project funding. I don't want to pay for trainings and lunches." In addition to being a jaded and inaccurate perception of what operating support is, this contrasts with the sentiments of the CEOs at CECP's inaugural discussion, in which the CEOs articulated a strong commitment to providing core support for their nonprofit partners.

In key informant interviews with nonprofit leaders, there was consistent expression of frustration with what they expressed as a growing corporate emphasis on project funding, including expectations for positive public exposure and corporate visibility for the financial institution.

An arts organization speaking of the post-merger environment in Chicago said, "It's been very clear to us that it's got to be a project with visibility factors, and if you can't put it in as a project, you're not going to get a lot of consideration for general operating."

A nonprofit executive director in Chicago observed, "They want to do a project but they'll only fund it for two or three years, and if they're successful, it's a project that works, somehow after two or three years, they're either tired of it or they want something new." For organizations, the challenge is, "Every two or three years, they've got a successful program, do they kill it or how do they keep interest in it because their funding now wants to go on to something new?" Other private foundations have been using this approach for years; it seems that banks have begun to treat their nonprofit partners in this manner more recently.

One Chicago nonprofit director, considering the experience with multiple banks in Chicago, observed that:

> "What you're seeing is detachment from the community. These grants are no longer being given because they're part of the community and have to support the community, so therefore they support a multitude of services for the community. We're seeing a detachment where everything is from the perspective of what it can do for JPMorgan Chase or whoever the bank funder is."

At the same time, there was equal acknowledgment among nonprofit informants that, while bank foundations require that a grant application be for a specific project, the monitoring and budget tracking by bank foundations is nominal; in that way, the funding seems much more like core operating support. Several interviewees found it easy to use the funds within the specified project budget as the flexible wraparound funding to cover line items that other funders did not cover, or that deviated from the budget levels other funders had agreed to cover. There was consensus that, overall, bank grant reporting is easier than the reporting requirements of other funders, and positively compares bank funders requirements to the high level of detailed benchmarking that private foundations, community foundations, or governments tend to require.

A LOSS OF HUMAN CONTACT

A majority of key nonprofit informants identified the removal of access to corporate leaders who were community leaders in their own right as another significant impact of mergers. Chicago groups lamented the loss of James Dimon, chairman and CEO of BankOne prior to its merger with JP Morgan. Dimon moved back to New York after he became president and COO of the merged banks. Similarly, Boston groups named specific Fleet management members whose departure meant a significant loss of leadership in the local community.

A disabilities organization in Boston noted the loss of the ability to talk with a bank representative about their work and how it might fit with the bank's goals. "Larger banks versus smaller banks; there's less of a connection, less discussing a proposal they would want to fund and how it might fit into our programs."

Organizations that had experienced strong partnership relationships with bank employees—as grantees, through volunteer programs and board participation by bank employees, or involvement on community issues—often found those relationships weakened or destroyed. Interviewees estimated that communication confusion regarding whom to talk with and what the new priorities are can last anywhere from nine months to two years.

This lack of communication and access can occur even when the bank holds the organization's corporate banking accounts. A social service organization in Chicago that had a long track record of working with Bank One observed that,

> "Once the merger [with JPMorgan] started happening, we lost all contact. We actually do our banking there and we've had lots of discussions with our private bankers there regarding that. They have attempted all they can, but there has been no response whatsoever."

One nonprofit, in talking about the relationship building needed to get bank foundation funding, and the need to provide the bank with spotlight opportunities, also observed that "it is detrimental for us to continue this relationship; it hampers our ability to diversify our funding with other corporate foundations."

Moreover, an online application process means little opportunity for dialogue and feedback, precludes the ability to deviate from the perceived norm, and increases the feeling that the application is entering a black hole of the unknown. A women's shelter that had experience with long-term relationships with banks observed about Bank of America and other large banks:

> "Smaller community, regional banks—it's easier to build personal relationships and feel that they are committed to the community. With Bank of America, the whole application process is online; you hit a button, you click send, and then you're just sort of waiting."

This was a real change from what grantees had experienced previously, when there had been more negotiation and dialogue possible about what the community problem is, how the nonprofit can use its skills and resources to address it, and what role the bank funds would play. Nonprofit organizations interviewed for this report stated that only rarely is there now a relationship with a corporate representative with whom they can discuss their proposal.

BANK CORPORATE CITIZEN REPORTS

In reviewing the various Web sites, there appears to be some standardization among the largest constellations with regard to corporate citizenship components that they measure and report on to the public, going well beyond grantmaking alone. Perhaps growing out of the format and content of the old negotiated CRA agreements, the overwhelming majority now issue annual community reinvestment reports, which highlight in detail the financial institution's level of lending activity in single family housing, multifamily housing, economic development, small business lending and mortgage lending, as well as investments through revenue bonds, low-income housing tax credits, and other federal programs such as New Markets Tax Credit and the Federal Home Loan Bank's Affordable Housing Program (AHP). They also tend to highlight the diversity of their staff and their employees' commitment to and engagement with the community, including their employee volunteer programs. These are strong public relations tools, but without external verifiability they have limited value beyond a "feel good" moment.

Most Corporate Citizen Reports also include components on multicultural supplier/vendors, articulating their efforts to encourage the use of vendors owned by people of color, women, and the disabled. Most also now carry an environmental impact report as part of their corporate citizenship focus, which addresses how they are reducing their impact on the environment and may include giving to environmental organizations as part of that.

BANK CORPORATE GIVING FOOTPRINT

Key informant interviews with bank representatives, substantiated by information available at Web sites, affirms that how a firm manages domestic local grantmaking activities generally correlates with how expansive the firm's retail branch footprint is, and what percentage of a firm's entire franchise is retail banking. Given this, one could expect, for example, that the picture for Citigroup would be very different from SunTrust, and the Bank of America picture is currently changing as a result of its acquisition of MBNA, which has given it an expansive presence in credit cards not related to retail banking. A Wachovia representative acknowledged that the company is wrestling with the implications on its giving distribution of its recent acquisitions on the West Coast and its ongoing growth in securities and other non-retail banking business. Several bankers acknowledged that the level of giving and its distribution is influenced primarily by retail operations.

One bank representative expressed the opinion that financial services firms lag behind other industries with regard to how they tie in their philanthropic activities with their core competencies. But, she said, as the larger financial services firms have emerged with this last generation of mergers, they now have a significant amount of dollars to invest and are focusing more strategically going forward. This shift in magnitude of giving becomes apparent when looking at the 990-PF data for individual constellations and the cumulative data for the seven constellations.

VII. The Quantitative Analysis

In order to build the database for this research project, NCRP identified as many of the bank foundations connected to bank corporations in the chain of mergers within each bank constellation. Where we were able to secure the foundation name and Employer Identification Number (EIN), we accessed the 990-PF IRS annual tax filing records for as many years as possible from the early 1980s to the present time.

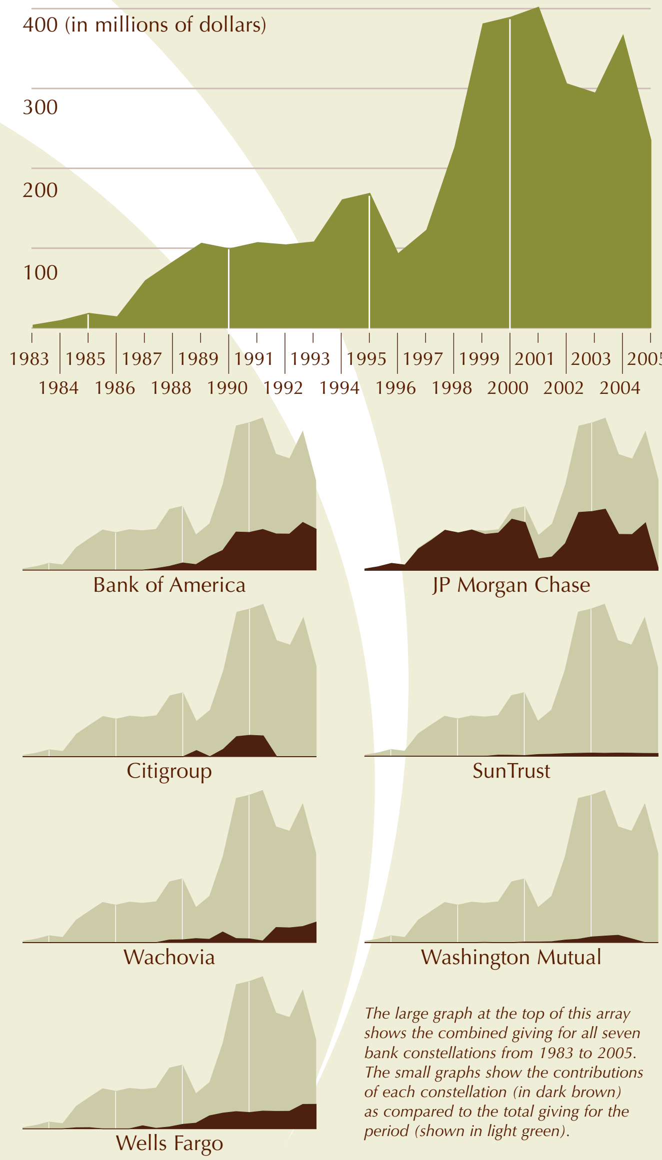
A. THE CUMULATIVE PICTURE

In looking at the cumulative picture of the merger history of the seven bank constellations' impact on philanthropy, there are a couple of significant caveats. Each of the constellations has missing data in some year for some of their 990-PFs. The year 2005 cannot be calculated cumulatively at all yet, because several of the major 990-PFs are not yet available for review. However, the overall picture that becomes clear when reviewing the graphs is similar to that within the individual constellations—there is a much higher level of giving since 1999 compared with the prior decade. Bank of America, Citigroup, and JPMorgan Chase especially experienced sizable increases in their giving that year, and have stayed at the higher level since then. This corresponds to the size of the corporations in terms of assets and revenues having increased significantly due to mergers and acquisitions in the late 1990s.

Cumulative Regional Picture

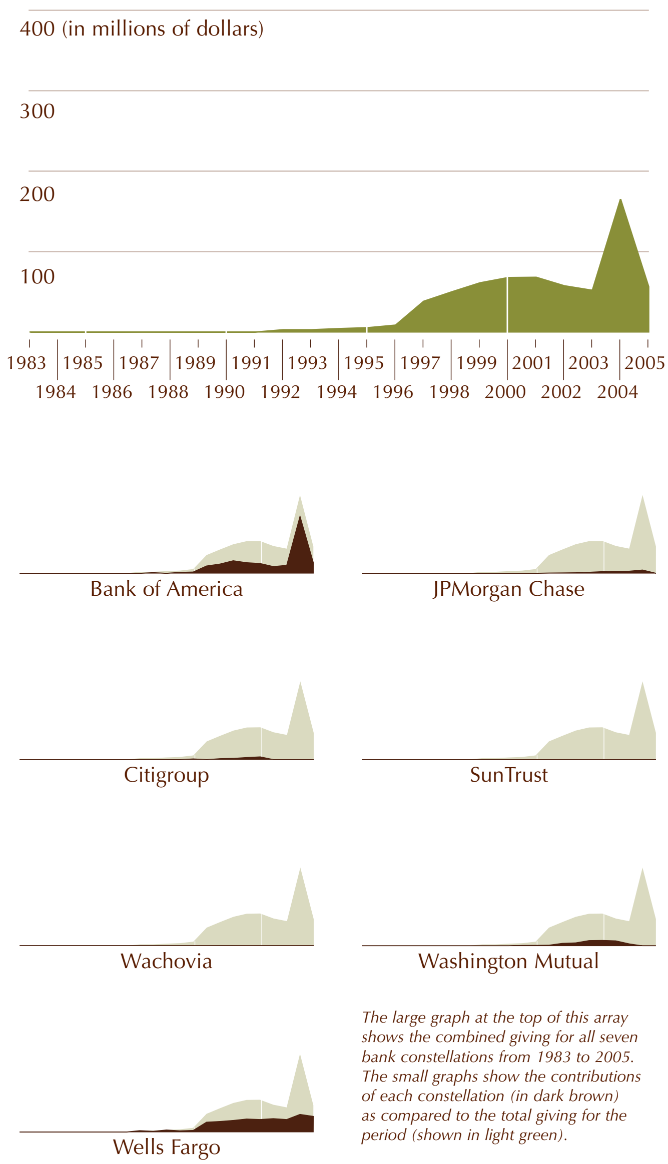
The cumulative regional impact is more difficult to interpret because of gaps in data, especially for Citigroup after 2001, and JPMorgan Chase for 2005. However, if an assumption is made that Citigroup's regional distribution of grants remained consistent for 2002 and 2003 with prior years, then the Western region received relatively stable giving in the range of $50 million and

GRAPH 1: Total Amounts Given as Grants, by Constellation



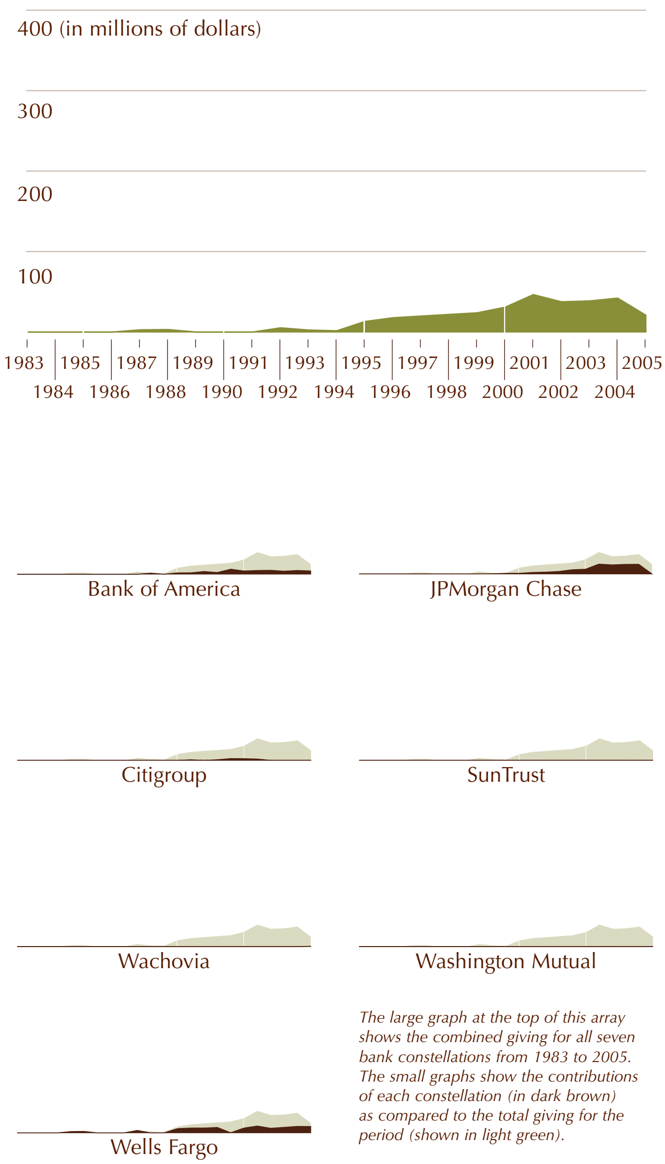
The large graph at the top of this array shows the combined giving for all seven bank constellations from 1983 to 2005. The small graphs show the contributions of each constellation (in dark brown) as compared to the total giving for the period (shown in light green).

GRAPH 2: Cumulative Regional Grantmaking for the West



The large graph at the top of this array shows the combined giving for all seven bank constellations from 1983 to 2005. The small graphs show the contributions of each constellation (in dark brown) as compared to the total giving for the period (shown in light green).

GRAPH 3: Cumulative Regional Grantmaking for the Midwest



The large graph at the top of this array shows the combined giving for all seven bank constellations from 1983 to 2005. The small graphs show the contributions of each constellation (in dark brown) as compared to the total giving for the period (shown in light green).

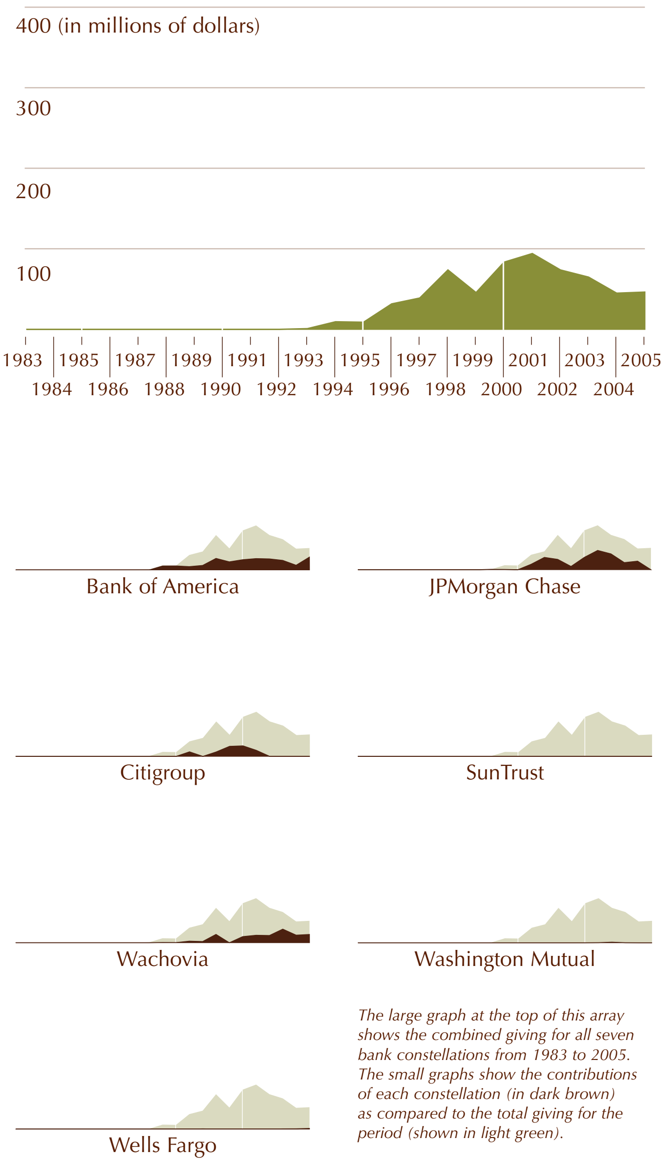
above since 1999. For the Midwest, making the same assumption for Citigroup's distribution regionally in 2002 and 2003, the giving level appears to have surpassed $25 million in cumulative giving in 2000, and then was at or above $40 million in 2002 and 2003.

The Northeast has been a beneficiary of significant charitable giving compared to the West and Midwest, having received more than $60 million annually since 1998, and having secured more than $100 million in two years between 2000 and 2003. The Northeast has not seen a stable annual level of funding, however, being more erratic year to year than the other regions.

The Southern region has received the largest total amount of grants distributed by the seven constellations since 1999. In that year, the Southern region experienced a significant increase from a prior cumulative grant level of less than $40 million to an annual level of more than $120 million. The level of giving to the South has been consistently steady and sizable compared to the other regions. Even bank constellations such as Washington Mutual and Wells Fargo, for whom the South is not traditionally a primary region, exhibit steady giving in the region year to year.

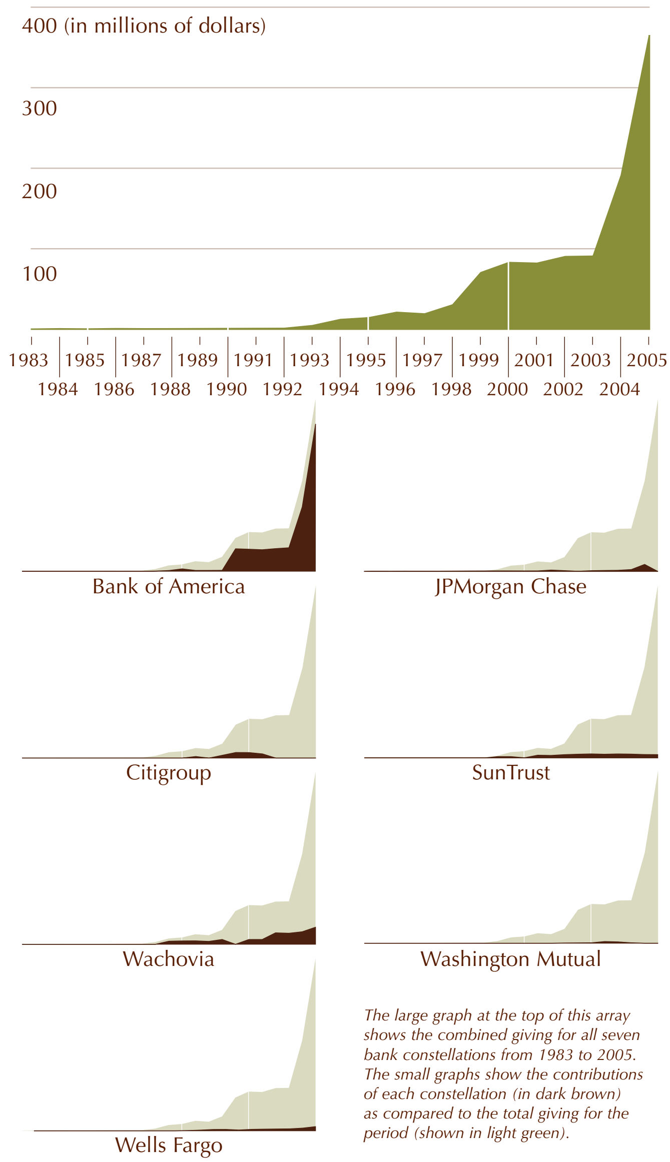
When the cumulative data for the four regions are put together on a single graph, the cumulative impact becomes clearer. The Midwest has been a region that

GRAPH 4: Cumulative Regional Grantmaking for the Northeast



The large graph at the top of this array shows the combined giving for all seven bank constellations from 1983 to 2005. The small graphs show the contributions of each constellation (in dark brown) as compared to the total giving for the period (shown in light green).

GRAPH 5: Cumulative Regional Grantmaking for the South



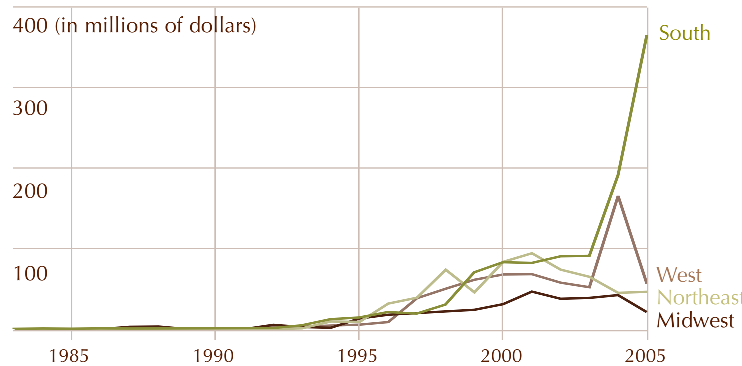
The large graph at the top of this array shows the combined giving for all seven bank constellations from 1983 to 2005. The small graphs show the contributions of each constellation (in dark brown) as compared to the total giving for the period (shown in light green).

has received the smallest amounts overall, and the Southern region has seen growth in giving levels by all seven bank constellations.

Cumulative use of Grants to National Organizations

While the utilization of national grants by the seven constellations and their sub-banks is relatively erratic over the years, the cumulative grantmaking through national grants clearly is on an upward trend. This partially substantiates the comments made in key informant interviews with local grassroots nonprofit organizations that they have experienced a decrease in funding as grants shifted to national organizations and

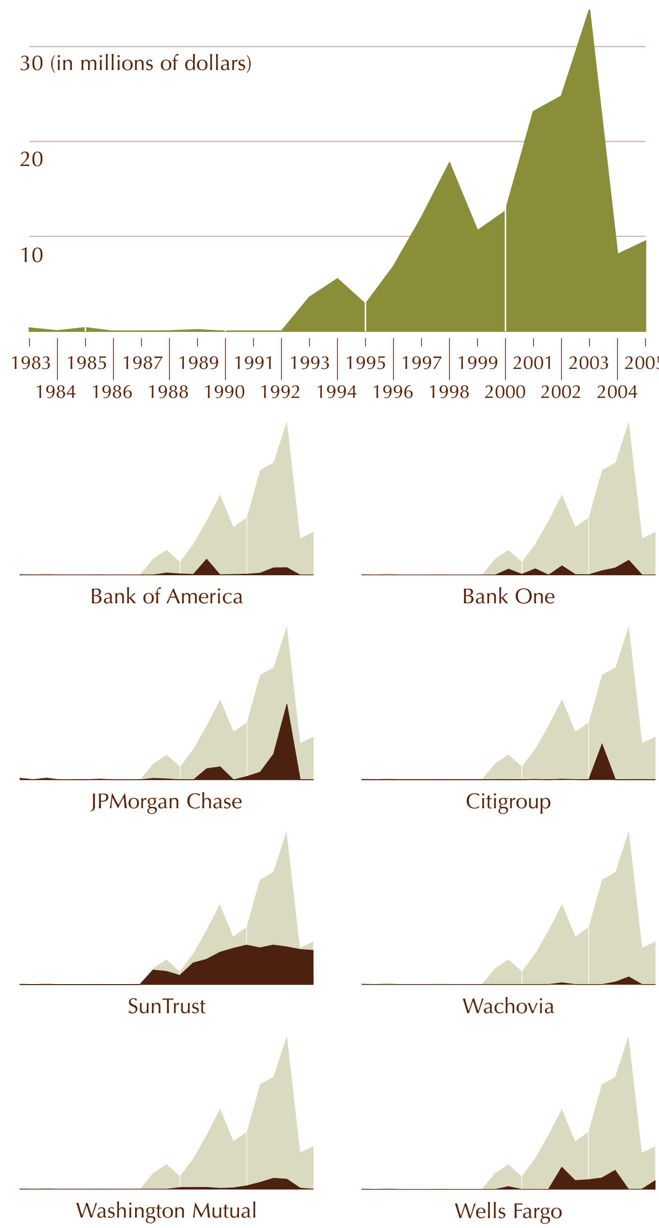
GRAPH 6: Cumulative Amounts Given by all Bank Constellations, by Region



intermediaries. Also, by looking at individual bank constellations, it is possible to see what appears to be a trend toward distributing national grants just prior to a bank merger.

It is too early to tell what the impact of the 2004 mergers has been, because there are 2005 990-PFs still not available for review. It also is not possible from the current dataset to look at what the impact has been on an intra-region basis. Within the JPMorgan Chase constellation, there were local shifts over time: Bank One from Ohio to Chicago, the conversion of the Marine Bank of Wisconsin to Bank One Wisconsin, all before the JPMorgan Chase purchase of Bank One. Determining the impact of the earlier mergers within the Midwest will require a further parsing of the data to a state by state breakdown. Similarly, a further dividing of the data for the Southern region would allow more information to be extracted regarding intra-regional shifts in grantmaking across the South.

GRAPH 7: Total Amount Distributed as National Grants, 1983-2005



**data missing from some banks for 2004 and 2005*

The large graph at the top of this array shows the combined giving for all seven bank constellations from 1983 to 2005. The small graphs show the contributions of each constellation (in dark brown) as compared to the total giving for the period (shown in light green).

B. BANK OF AMERICA

Bank of America focuses its grant-making in 32 states and the District of Columbia. In each of these areas, it has identified one to 17 markets to receive charitable investments.

Structure and Philosophy

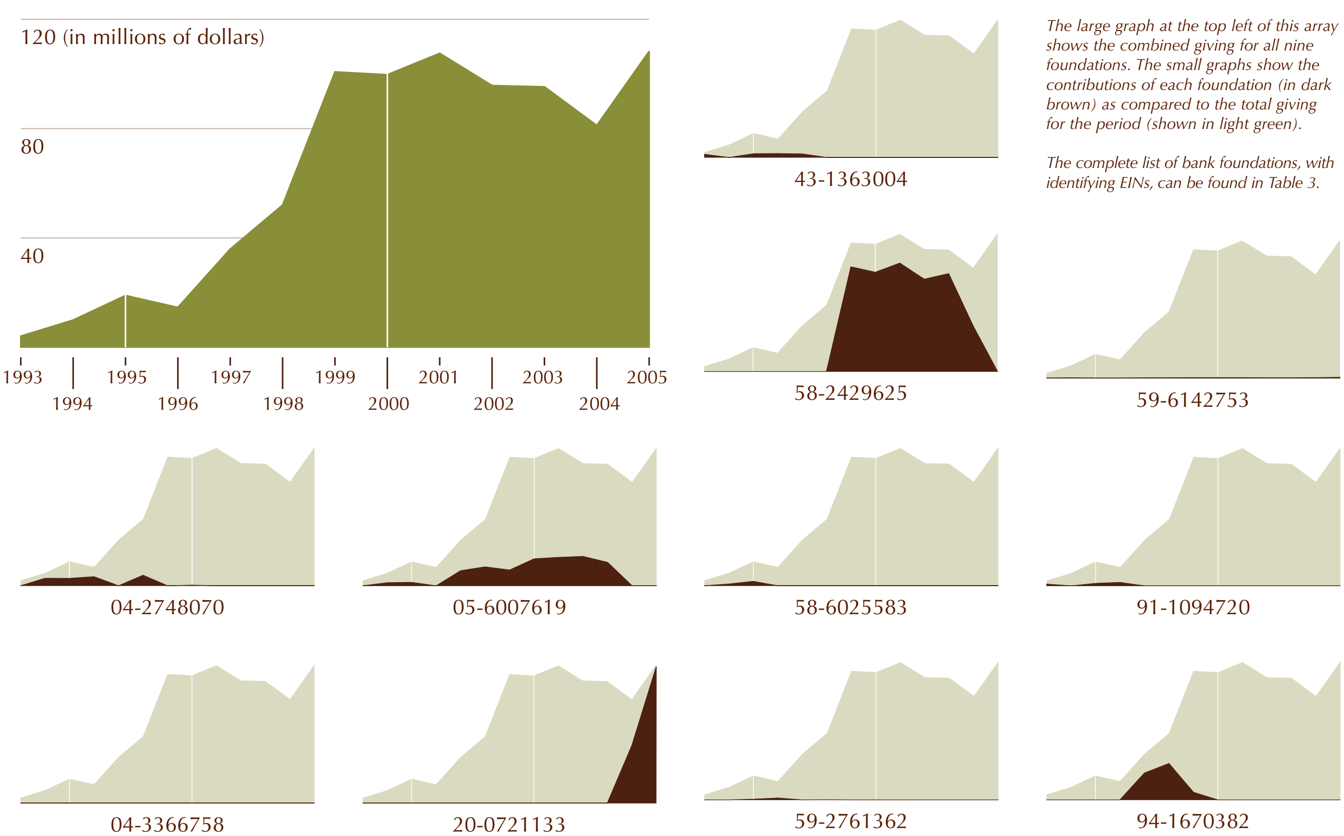
At Bank of America, corporate philanthropy is coordinated through one office, led by Andrew Plepler, the charitable investments executive and president of the Bank of America Foundation, who reports to the chief marketing officer, a direct report to the CEO. Plepler manages a foundation staff of 25, and the 70 people in the Community Development Division who do the bank's CRA compliance, needs assessments and community relations. Bank of America has a goal of running 90 percent of all charitable giving through the foundation. The corporate contributions are likely to be expenditures for event sponsorship, fundraising dinners, or golf tournaments.

Through the Neighborhood Excellence Initiative, which it represents as its "signature philanthropic program," the foundation supports community development organizations in each of the bank's 44 markets. This program is unique; while only a limited number of organizations are recipients each year, it provides unrestricted operating support. In addition, the Neighborhood Builders program provides substantial financial support ($200,000) to two additional organizations in each of the markets. Moreover, the local heroes program provides small grants to charities identified by local community advocates in each of the 44 markets.

Areas of Focus

For its local grant-making, Bank of America identifies four areas of focus: community development, education, health and human services, and arts and culture. The corporation set the four national areas of focus, and allows local markets to determine specific priorities within them. While one market may focus on education with an emphasis on K-12 after-school programs, another may emphasize access to educational experiences for those who cannot afford them. The local grantmaking

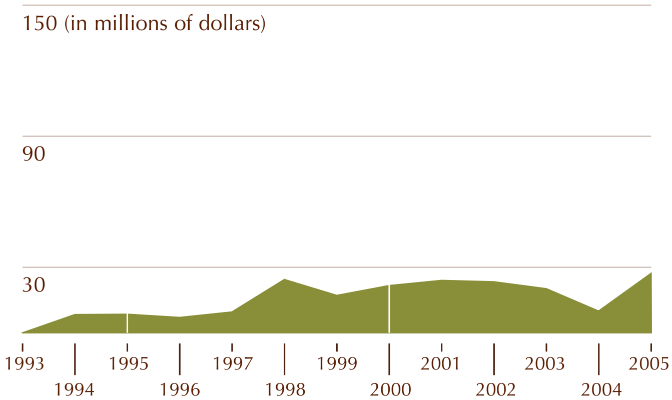
GRAPH 8: Total Distributed as Grants from Bank of America Constellation,1993-2005

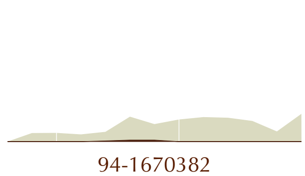


The large graph at the top left of this array shows the combined giving for all nine foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 3.

GRAPH 9: Total Amount Given as Grants in the Northeast Region by Bank of America Constellation, 1993-2005

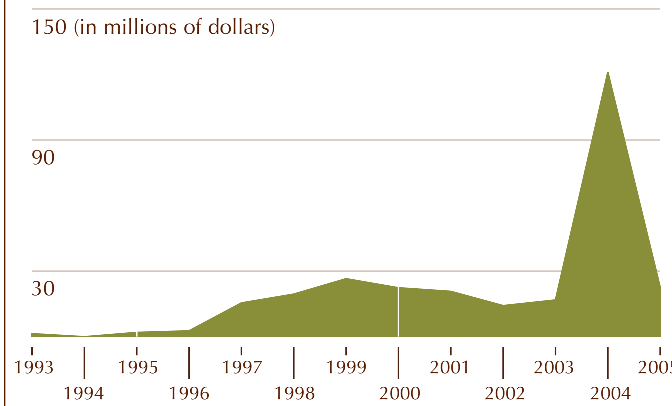


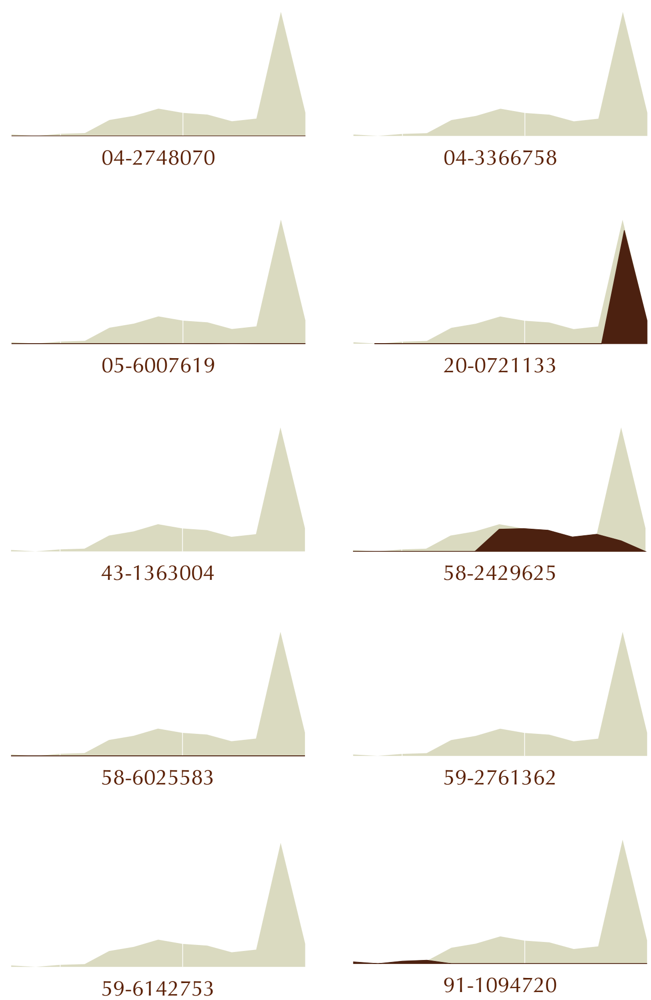


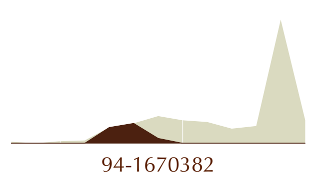
The large graph at the top of this array shows the combined giving for all eleven foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 3.

GRAPH 10: Total Amount Given as Grants in the Western Region by Bank of America Constellation, 1993–2005



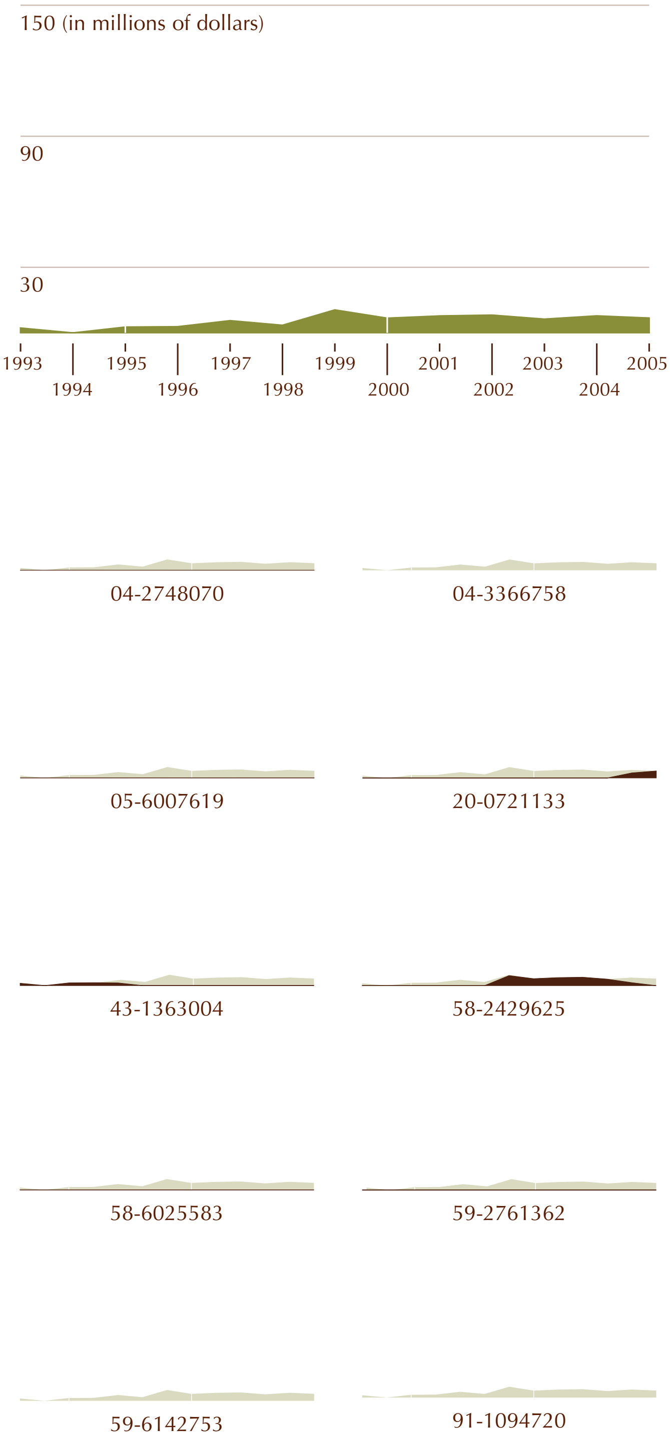




The large graph at the top of this array shows the combined giving for all eleven foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 3.

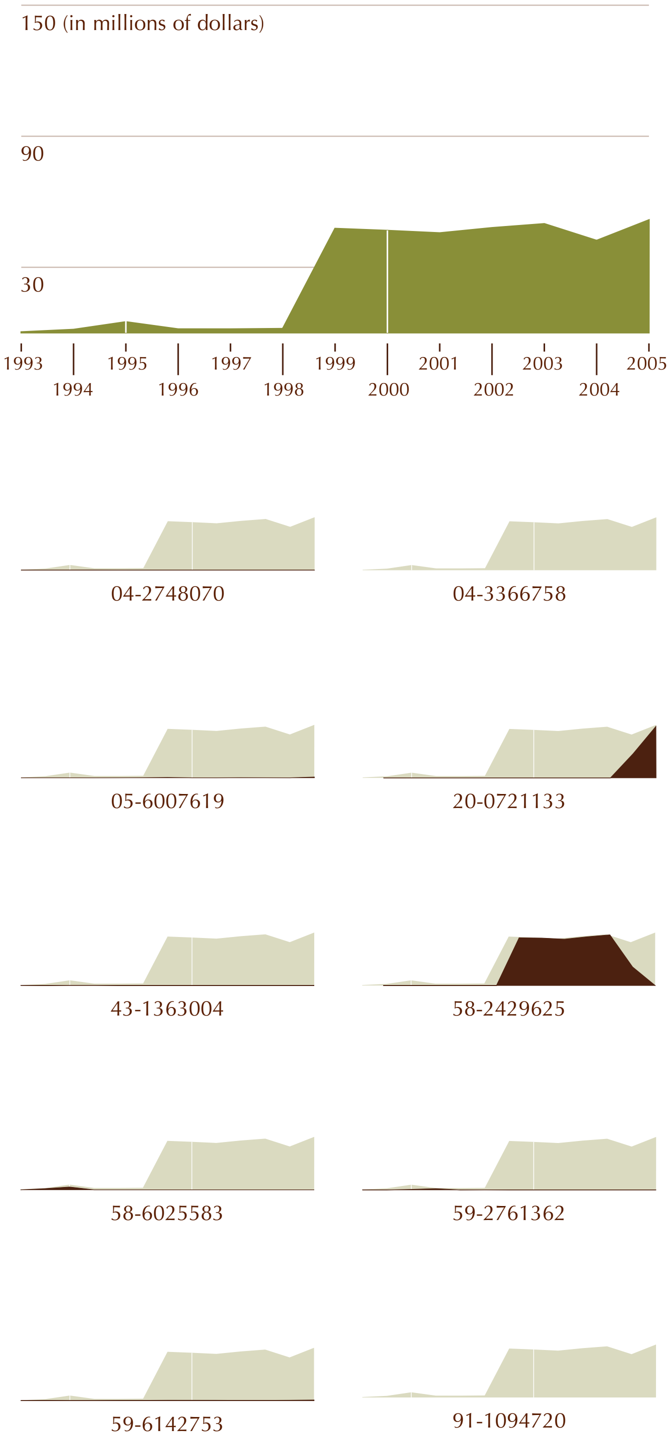
GRAPH 11: Total Amount Given as Grants in the Midwest Region by Bank of America Constellation, 1993–2005

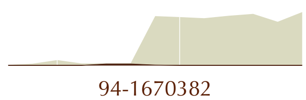


The large graph at the top of this array shows the combined giving for all eleven foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 3.

GRAPH 12: Total Amount Given as Grants in the Southern Region by Bank of America Constellation, 1993–2005





The large graph at the top of this array shows the combined giving for all eleven foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 3.

provides each market president with funding to support local priorities that are established jointly with community leaders, but they have to fit within the nationally set priorities.

Impact of Mergers on Philanthropy

Talking about their post-merger experience, a small arts organization observed that:

> "With the merger and the shift [in focus], it seems that the local branches or the local operation had a limited budget and then anything sizable had to go up to a larger foundation committee, and there was a lot more concern, less about you know you're doing a good thing and much more about what their exposure was going to be. Much more *quid pro quo*."
>
> A local grassroots organization observed:
>
> "When they [large banks] take over smaller regional banks, it definitely feels like you lose something in terms of the spectrum of areas of interest that the foundation is supporting. Because although the pile of money may be bigger, it's going to a smaller number of areas of interest, so I think we would be very much about shelter and homelessness and helping women and children in crisis, and that might be something that Fleet Bank might have supported but Bank of America doesn't because that's not their area of interest. It gets harder and harder if your programs don't fit to find ways to get to the source of money."

"When [Bank of America] took over Fleet, there was a shift in what their guidelines were, a much more narrow focus, so we don't know if we will fit any longer," reported a domestic violence center that had previously been supported by Fleet.

Like the other bank corporations, Bank of America supports employee volunteerism, allowing paid time off for volunteering. And collectively, they volunteer through "Team Bank of America" events. This is further supported by contributing small ($500) "volunteer grants" to the nonprofits where its employees volunteer. It also manages a matching gift program (up to $5,000 annually per person) to support where employees give their personal donations. It also gives scholarships to students in the families of current, retired, or deceased bank associates.

LEVELS OF GIVING

According to its Web site, in 2005, Bank of America gave $130 million through the Foundation and the lines of business (LOB). Only $5 million of that was reportedly non-foundation. It identifies $15.5 million as being given through its signature program, the Neighborhood Excellence Initiative, $93.3 million through its local and national grants program, and $16.2 million as matched donations to employees' favorite local nonprofits.

In the Foundation Center's 2006 Corporate Giving Directory, Bank of America's 2004 numbers are listed as $80.7 million in grants. In 2004 with the Fleet acquisition, Bank of America announced a goal of $1.5 billion in philanthropic giving over ten years. It claimed that this would be a 40 percent increase over the giving of both banks in 2004 on an annual basis.

The 990-PF data shows that Bank of America and the banks that make up its constellation took their level of foundation giving to a significantly higher level in 1999, which is similar to the majority of the other banks we looked at. Total foundation giving jumped from $14.6 million in 1996 to $35.9 million in 1997, to $52 million in 1998, and to $100.6 million in 1999, and has stayed at that level until rising to more than $125 million in 2004. This shows that with each acquisition or merger, the corporation's commitment to philanthropy did not decrease.

The data on regional giving shows that there has been little predictability in grant giving levels for local communities and organizations. The Northeast (see Graph 9) has fairly consistently received around $20 million from Bank of America since 2000 through 2003, then there was a significant drop in 2004, followed by a sizable increase in 2005. It will be worth watching to see if the spike in 2005 continues after the Fleet merger becomes history.

Bank of America's giving levels in the Western region (see Graph 10) have been erratic from year to year, and have experienced an overall drop in giving since a 1999 high of more than $25 million, to later levels below $20 million, except for a dramatic spike in 2004. The 1999 level is significantly more than the mid-1990s when giving among the collection of foundations that make up this constellation was less than $15 million. It is worth noting that San Francisco was the headquarters city for Bank of America prior to the 1998 merger with NationsBank.

The Midwest (see Graph 11) has a similar profile of erratic levels of giving from Bank of America, but without the single year spike that the West saw in 2004.

The Southern region (see Graph 12) has been a clear winner with Bank of America, as it was with the other bank constellations. Starting in 1999, after the 1998 NationsBank merger, the South has consistently received nearly $50 million in annual grants. This is more than double what any other region has received in any year.

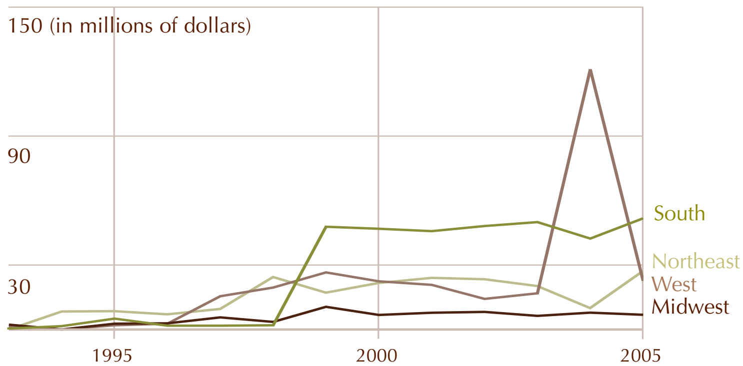
The disparity across regions becomes clear when the four regions are plotted on the same graph, as seen in Graph 13. Then it is easy to see how the Southern region has benefited over time, while other regions have not experienced the same level of or consistency in giving.

Bank of America's use of National Grants

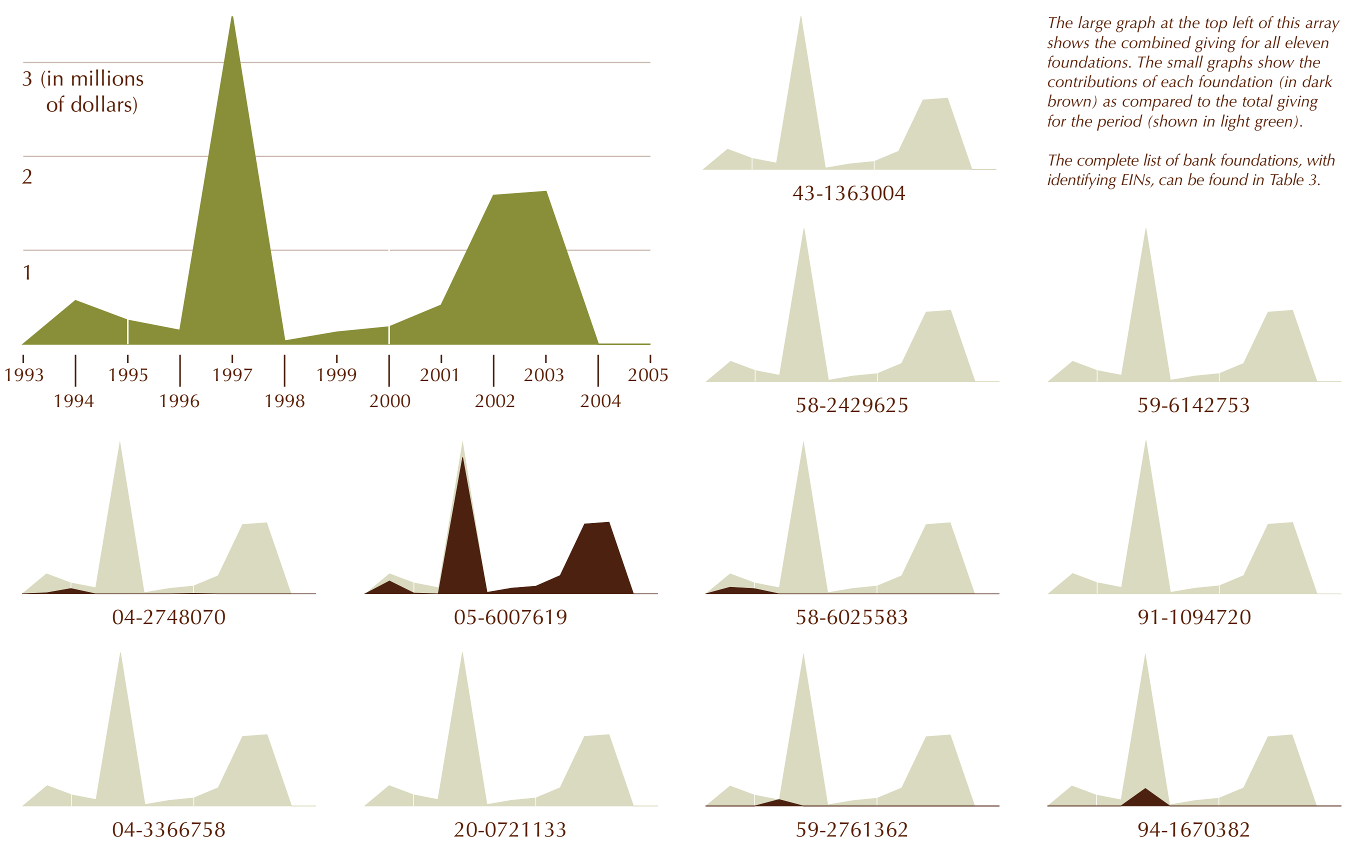
Bank of America has increased its use of national grants (grants to national organizations) since 2000, with a sizable increase in 2002 and 2003, but then a sizable drop in 2004 and 2005. It is worth noting the drastic spike in national grants in 1997, just prior to the Bank of America–NationsBank merger in 1998. As has already been mentioned, NationsBank staff acknowledged its use of community investments, "In addition to being good business with high community value, these investments played an important role in providing a positive regulatory review of the merger, allowing it to be completed in a timely way and with minimum cost."

Corresponding with the increases in national grants in 2002 and 2003, there was a decrease in grants made in the Northeast and Midwest regions. This could partly explain the anxiety among nonprofits in the Northeast at the announcement of the Bank of America–Fleet merger—those groups already had experienced a decline in grant levels and feared more.

GRAPH 13: Total Amount Given by Region, Bank of America Constellation, 1993–2005



GRAPH 14: Total Amount Distributed as National Grants by Bank of America Constellation, 1993–2005



The large graph at the top left of this array shows the combined giving for all eleven foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 3.

TABLE 3: Foundation EIN Lookup Table for Bank of America Constellation

EIN	Foundation Name	Bank Mergers	Years of EIN Information
BANK OF AMERICA			
58-2429625	Bank of America Foundation		1998–2004
94-1670382	Bank America Foundation		1994–2000 (2000 Final Return)
20-0721133	The Bank of America Charitable Foundation (NC)		2004–2005
		FleetBoston (2004)	
91-1094720	Seafirst Foundation	Seafirst Bank (1986)	1993–1996
NATIONSBANK			
59-6142753	NationsBank Community Foundation (Sarasota, Fla.)		1993–2005
58-6025583	NationsBank Fund		1993–1999 (1999 final return)
		Bank of America (1998)	
59-2761362	Barnett Foundation	Barnett Banks (1998), Fla.	1995, 1996 and 1998 (1998 Final Return)
43-1363004	Boatmen's Bancshares Charitable Trust	Boatmen's Bancshares (1997), St. Louis, Mo.	1993–1997
FLEET			
05-6007619	Fleet Charitable Trust/ FleetBoston Financial Foundation		1994–2005
04-3366758	Fleet Center Neighborhood Charities		2000–2004
04-2748070	BankBoston Corp Charitable Foundation	Bank Boston (1999)	1994–2005

C. JPMORGAN CHASE

JPMorgan Chase identifies a nineteen-state expanse as its corporate footprint. It is not a contiguous group of states reflecting regional mergers and organic growth, but rather a disparate collection across the country that reflects the merger of various geographically dispersed banks.

Structure and Philosophy

JPMorgan Chase articulates its philosophy for philanthropy as being a combination of enlightened business practices and focused philanthropy. JPMorgan Chase's definition of philanthropy includes grants, sponsorships, charitable dinners, volunteer grants, and the match for employee giving. Global Philanthropy is a unit of Corporate Strategy, which reports directly to the CEO. The majority of cash donations are handled through Corporate Philanthropy. However, there is no separate foundation staff; all staff working on foundation business are within the corporate structure, paid and managed by the corporation through various divisions. The Community Relations Group within the Retail Banking Division manages giving across the domestic footprint, while a separate corporate group manages national and international grants.

Individual lines of business within the corporation handle the cost of events sponsorships, participation in fundraising events like charitable dinners, golf outings, etc. JPMorgan has international foundations that are separate from the JPMorgan Chase Foundation, and are expected to remain separate for the foreseeable future.

Areas of Focus

JPMorgan Chase articulates its three areas of focus for giving as community asset development, youth education, and community life/arts and culture. It uses an online application for grants, and does so through a decentralized system—organizations identify the region in which their program operates and clicks on that region to submit an online application. A bank representative estimated that 80 percent of the grants were project specific, with the remaining 20 percent being for general operating.

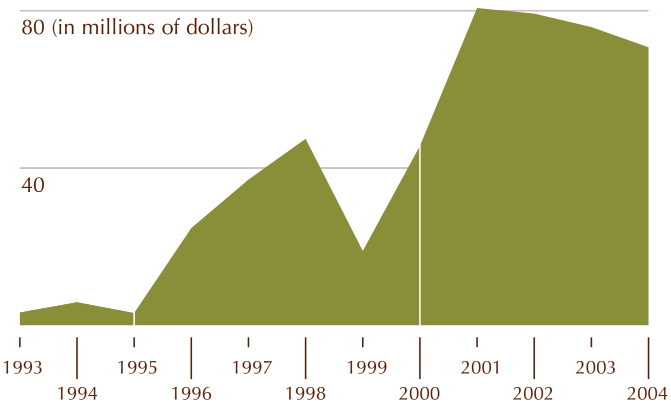
Impact of Mergers on Philanthropy focus

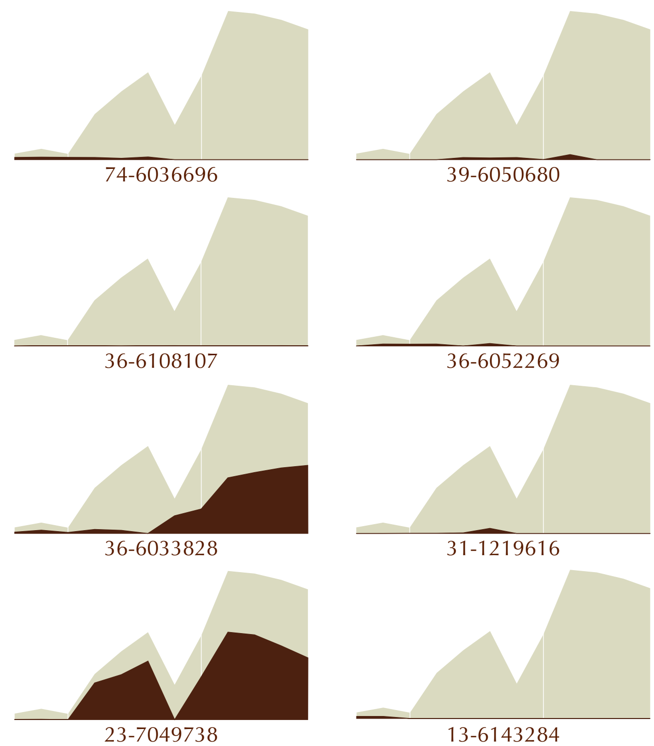
The JPMorgan Chase representative said that there generally has been consistency in focus within the three overarching focus areas among the banks that have been acquired. However, this has resulted in a broadening of scope within the areas, and so there now is an effort to become more targeted within the existing areas of focus.

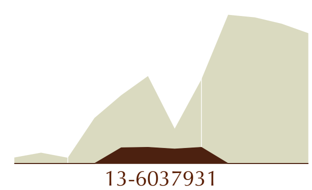
Levels of Giving

Currently, there appears to be just one active corporate foundation, the JPMorgan Chase Foundation. There also is an active corporate giving program. The Foundation reports in the 2006 Corporate Giving Directory to have

GRAPH 15: Total Amount Given as Grants for JPMorgan Chase Constellation, 1993–2004







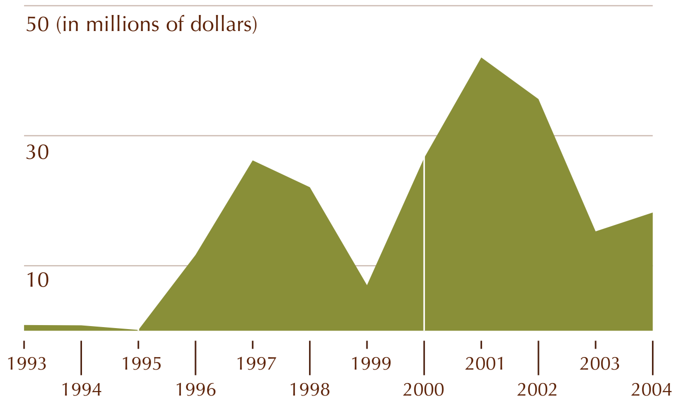
The large graph at the top of this array shows the combined giving for all nine foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

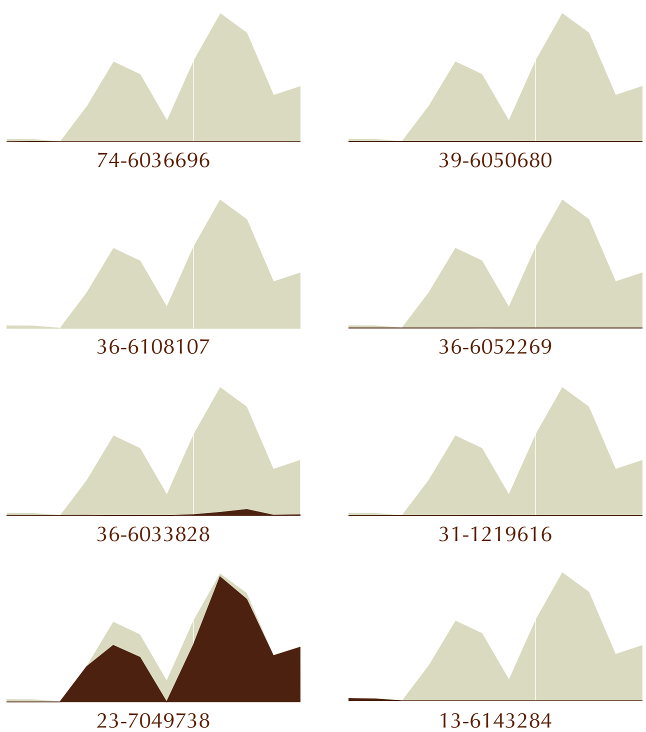
The complete list of bank foundations, with identifying EINs, can be found in Table 4.

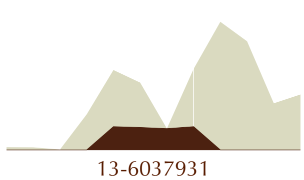
made $46.8 million in grants in 2004, with an additional $9.9 million in employee matching gifts.

JPMorgan Chase's giving (see Graph 15) in the 1990s was erratic from year to year, according to the 990-PF returns. There were significant leaps in grantmaking, from $2 million in 1993 and $2.7 million in 1994 to $21 million in 1996. This was followed by more than $40 million each year in 1997 and 1998. The compilation of 990-PF returns for the various bank foundations that make up the current JPMorgan Chase reflects foundation giving that went from less than $60 million prior to 2000, to between $90 million and $100 million every year from 2000 to 2004. The dramatic increases match up with the merger timeline of Chemical–Chase Manhattan in 1996, and in 2000, the Chemical/Chase merger with JPMorgan. At the same time, Bank One

GRAPH 16: Total Amount Given as Grants in the Northeast Region by JPMorgan Chase Constellation, 1993–2004



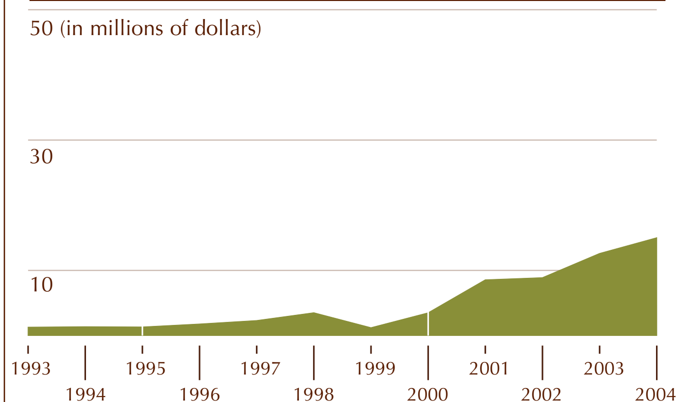


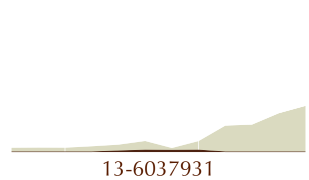


The large graph at the top of this array shows the combined giving for all nine foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 4.

GRAPH 17 Total Amount Given as Grants in the Southern Region by JPMorgan Chase Constellation, 1993–2004





The large graph at the top of this array shows the combined giving for all nine foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 4.

purchased American National Bank and Trust in Chicago in 1996 and First Chicago in 1998. This shows that overall giving did not decrease after these mergers. The JPMorgan Chase Web site reported nearly $112 million in grants for 2005, and states that the intent is to contribute more than $100 million in grants in 2006. Because the 2005 990-PF is not available as of the writing of this report, there are no numbers for JPMorgan Chase for 2005.)

Looking at one regional acquisition, using the 990-PFs for the Texas Commerce Trust during the 1980s and 1990s, the data show that the corporation maintained stable growth in foundation giving in the South throughout the purchase of Texas Commerce Trust by Chemical, and the subsequent mergers of Chemical with Manufacturers Hanover, Chase, and JPMorgan. The level of giving in the South was relatively stable at about $1 million throughout the 1990s. While this suggests the grant funding remained after the purchase of Texas Commerce Trust, we cannot address the question of whether there was a loss of local leadership and responsiveness to local needs and concerns.

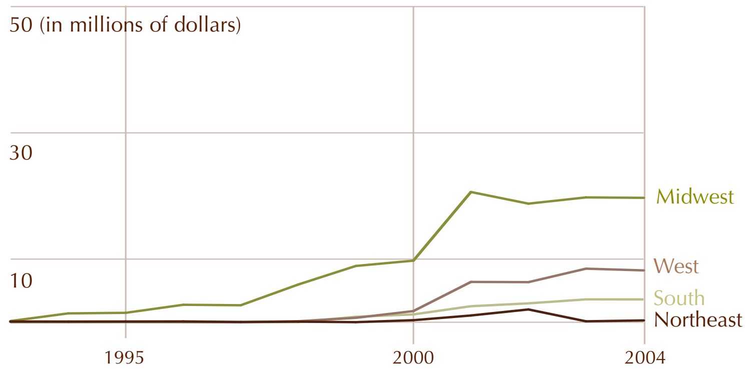
Several grassroots nonprofit organizations observed the benefit of relationships with bank employees who were able to meet and discuss organizational programs and how there might be a fit with the bank foundation's priorities each year, and how that is usually lost through an acquisition or merger. An arts organization in Chicago had the experience of consistent annual funding because a bank representative served on its board of directors, and feared the loss of that relationship because of layoffs after the JPMorgan Chase–Bank One merger.

In looking at the regional breakdown, it becomes clear that the Northeast has experienced erratic support while the other regions remained stable or gained resources from the JPMorgan Chase/Bank One Constellation.

As shown in Graph 17, JPMorgan Chase, like the other six bank corporations, has demonstrated a steady increase of funding to the South.

In looking at the regional trends for JPMorgan Chase, it is interesting to compare those banks that were acquired under the Bank One side, with those under the JPMorgan Chase side of the corporation prior to the final merger in 2004. As graphs 18 and 19 show, these two banks served different regions prior to their merger. Bank One's philanthropy focused on the Midwest, while JPMorgan Chase focused on the Northeast. It's too early to tell what the geographic distribution has been since the merger because complete data is not yet available.

GRAPH 18: Total Amount Distributed as Grants by Region, Bank One Constellation



GRAPH 19: Total Amount Distributed as Grants by Region, JPMorgan Chase Constellation

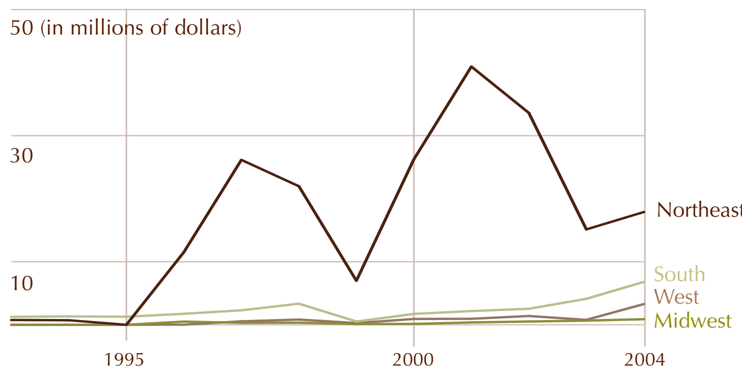


TABLE 4: Foundation EIN Lookup Table for JPMorgan Chase Constellation

EIN	Foundation Name	Bank Mergers	Years of EIN Information
JPMORGAN CHASE & COMPANY			
13-6037931	JPMorgan Charitable Trust	JPMorgan Chase–Bank One (2004)	1996–2002 (2002 final return)
		JPMorgan–Chemical Chase (2000)	
23-7049738	Chase Manhattan Foundation (later called JPMorgan Chase Foundation)	Chase Manhattan–Chemical (1996)	1993–2004
13-6143284	Manufacturers Hanover Foundation/ Chemical Bank Foundation	Manufacturers Hanover–Chemical (1991)	1993–1994
74-6036696	Chase Texas Foundation/Texas Commerce Trust	Texas Commerce Trust–Chemical (1986)	1983–1998
BANK ONE			
36-6108107	Bank One, Rockford Charitable Trust		1994–2004
36-6033828	First National Bank of Chicago Foundation	First Chicago NBD (1998)	1993–2005
36-6052269	American National Bank and Trust Co. of Chicago	American National Bank and Trust Co. of Chicago (1996)	1994–1999
39-6050680	Bank One Wisconsin Foundation (formerly The Marine Foundation)	Marine Bank Corp. (1991) Wisconsin	1996–2001
31-1219616	NBD Indiana Foundation	NBD Bancorp–First Chicago (1995)	1994–1998

D. CITIGROUP

A difference between Citigroup and the other six bank constellations is one of relative scale: Citigroup is much more prominent in identifying itself as a diverse corporation for which retail banking is just one component. This becomes apparent when reviewing the 990-PF data compared to the overall asset size of the corporation and the scale of retail banking for Citigroup, which is not as large in branches, deposits or market share as some of the other bank corporations.

Philosophy and Internal Structure

At the beginning of 2007, Citigroup appointed Pamela Flaherty, its senior vice president of corporate citizenship, to also be the president and CEO of the Citigroup Foundation, its sole corporate foundation. She is responsible for Corporate Citizenship and for Global Social Responsibility for the Office of Global Volunteerism and the Office of Financial Education. She reports to Lewis Kaden, Citigroup vice chair and CAO, who also is the chair of the foundation board and reports to Charles Prince, Citigroup chair and CEO. While the foundation has its own staff, and its leadership is not also responsible for managing any lines of business, they strive to collaborate with and leverage other divisions of the company to meet community needs, often contributing grant funds to non-profit-led projects that are receiving investments from the Citibank Center for Community Development Enterprise.

Areas of Focus

Citigroup Foundation has three focused initiatives: Financial Education; Educating the Next Generation, and Building Communities and Entrepreneurs. Applicants also can be considered under five program areas: community development, culture, arts and humanities, education, health-related, and human services. This structure has evolved over time; in 1998, the foundation differentiated between a set of Tier I priorities (community development and education) and Tier II priorities (arts, health and human services, and environmental education.) At that time, the Foundation discouraged unsolicited grant requests, preferring to use its local contacts to identify programs they would invite to apply. Today, it welcomes proposals, which are sent to local Citigroup corporate office contacts that review them and forward them to the foundation office in New York.

Levels of Giving

At the time of Pamela Flaherty's appointment as president and CEO of the foundation in January 2007, the corporation claimed that foundation giving for 2006 had been more than $92 million. It claimed that 2005 levels had been $85 million through the foundation, and $41 million through the corporation. According to the 2006 Corporate Giving Directory, Citigroup's corporate giving program provided $1.96 million in giving in 2005.

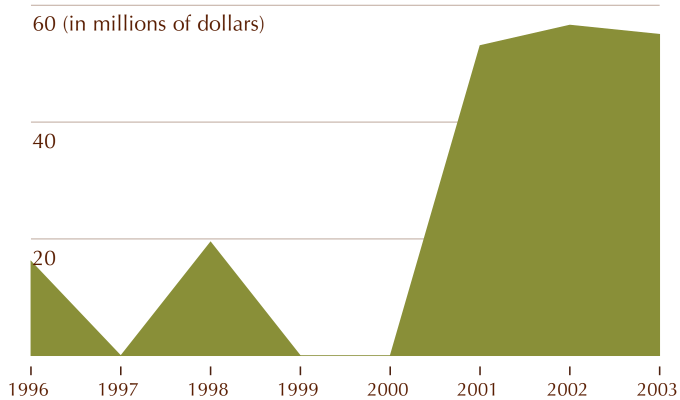
When Citigroup acquired Travelers in 1998, it reported giving through the Citigroup Foundation at the level of $19.5 million. In a press release at the time of the merger, the company claimed that the combined giving level was $55 million. According to the data in the 990-PFs for the foundation, post-merger, giving through the foundation was $53.9 million in 2001, $56.6 million in 2002, and $56 million in 2003. The Corporate Giving Directory for 2006 confirms the $56 million in grants for 2003, with another $890,000 being distributed in employee matching gifts.

It is difficult to determine whether these discrepancies between the Foundation data and the January 2007 press release are related to a significant amount of giving through its multitude of subsidiary corporations, which cannot be tracked externally. Another scenario would be a leap in the foundation giving program from $56 million in 2003 to $85 million in 2005 and $92 million in 2006. Such dramatic increases are not out of the question, and have occurred in other bank constellations. However, we cannot verify the figures because of a lack of data, due to an incomplete return and unavailable returns in 2004 and 2005, respectively. The documented level of foundation giving that we tracked places Citigroup in a position of having given significantly less than its peers.

Perhaps more important than the total amount of grant funds distributed is the regional distribution of those funds. In regional giving, Citigroup increased its foundation grant making in the Western region each year from 2000–2003, even as its overall giving level remained fairly constant, and giving in other regions remained flat or decreased (see Graph 21).

Citigroup giving decreased in the Midwest region and in the South from 2002 to 2003, and the data is missing for subsequent years, so we do not know if this trend continued. Citigroup was the only one of the seven banks to decrease its grantmaking in the Southern region, although it was not a significant decrease.

GRAPH 20: Total Amount Given as Grants for Citigroup, 1993–2004



No data was available for 1997, 1999, and 2000.
All grants were made through 13-3781879.

GRAPH 21: Total Amount Distributed as Grants by Region, Citigroup

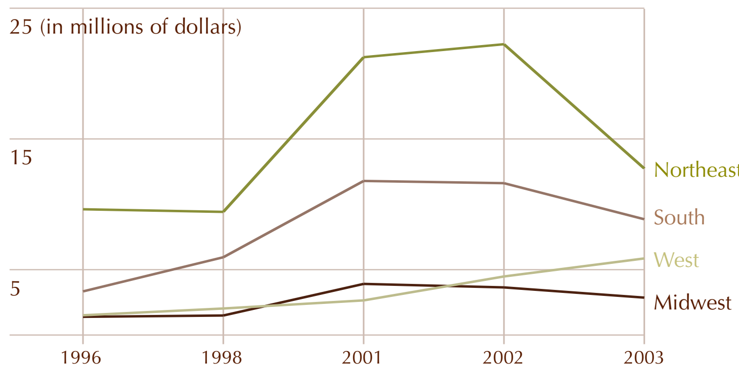


TABLE 5: Foundation EIN Lookup Table for Citigroup Constellation

EIN	Foundation Name	Bank Mergers	Years of EIN Information
CITIGROUP			
13-3781879	Citigroup Foundation/ Citicorp Foundation	Citicorp	1996–2003

E. SUNTRUST

SunTrust distributes its giving through both a corporate giving program and six foundations. The bank has its headquarters in Atlanta, which also is the home of the SunTrust Bank Atlanta Foundation. In addition, there are also: SunTrust Banks of Florida Foundation, SunTrust Banks of Tennessee Foundation, SunTrust Carolinas Group Foundation, SunTrust Foundation MidAtlantic, and SunTrust MidAtlantic Charitable Trust. This structure of multiple local or regional foundations grew out of SunTrust's historic structure as a financial holding company.

Both the corporate giving program and the SunTrust Atlanta Foundation require an application form. The other foundations manage their grants process through written requests to the local offices, requiring a simple written description of the organization, the project funds are requested for, and the results expected from the proposed grant.

Areas of Focus

At SunTrust, the areas of interest differ somewhat among the six foundations, with one, the SunTrust Banks of Florida Foundation, focused exclusively on higher education and making contributions only to pre-selected organizations. The other SunTrust foundations primarily support organizations involved in arts and culture, education, and youth and community development, and some include environment and health care. Like the other corporations, SunTrust encourages its employees to do volunteer work in their communities, and supports that volunteerism with an employee matching gifts program.

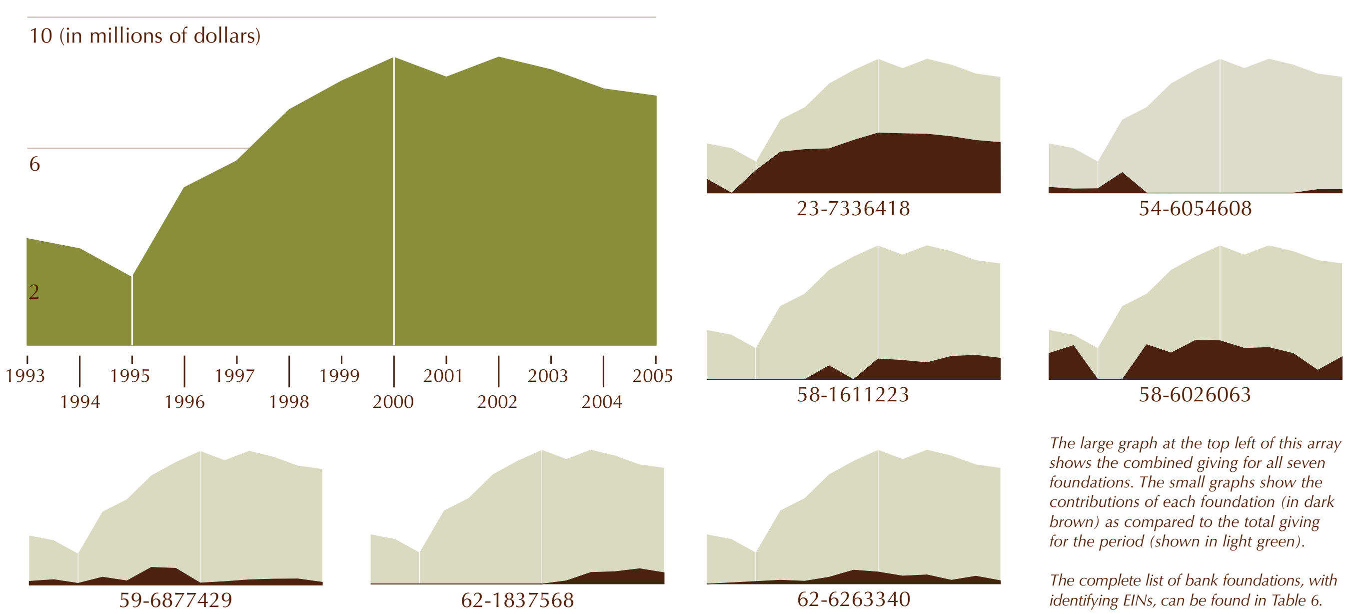
Levels of Giving

The data from the 990-PFs is consistent with what SunTrust disclosed in the 2006 Corporate Giving Directory, but is just 50 percent of what SunTrust claims at its web site. SunTrust does not disclose the level of funding distributed through its corporate giving program in the Directory listing; the other 50 percent could be attributed to corporate giving. Their Community Development Report at the web site reports a giving level of $13.5 million in 2005. The 990-PF data for all six foundations combined is just $7.6 million. This illustrates the need for the federal government to require full, consistent disclosure of all corporate philanthropy in a single systematic manner.

Looking at the giving levels over time (see Graph 22), through the various acquisitions and mergers, SunTrust's giving growth appears incremental and relatively steady. Like the other banks, SunTrust experienced the most growth in corporate size and in philanthropy at the end of the 1990s. There is no statistically significant drop in giving at any merger, nor is there any significant growth.

Notably, the level of giving by SunTrust—whether using the documented 990-PF number of $7.6 million

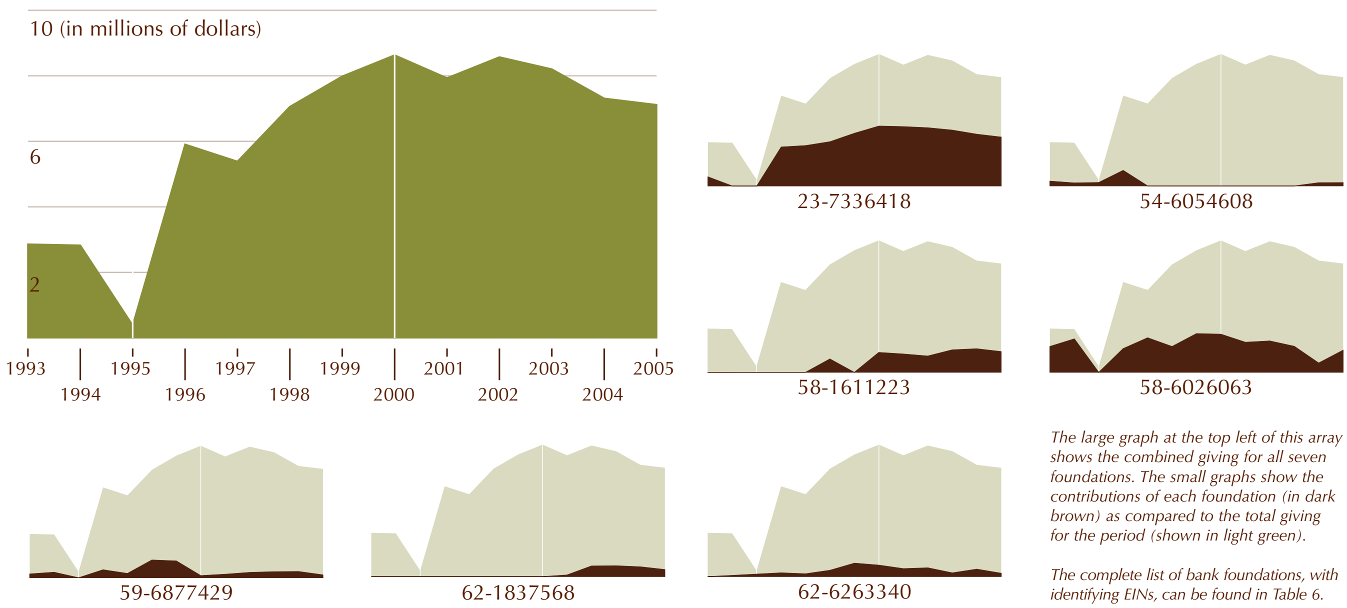
GRAPH 22: Total Amount Distributed as Grants by SunTrust Constellation, 1993–2005



The large graph at the top left of this array shows the combined giving for all seven foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 6.

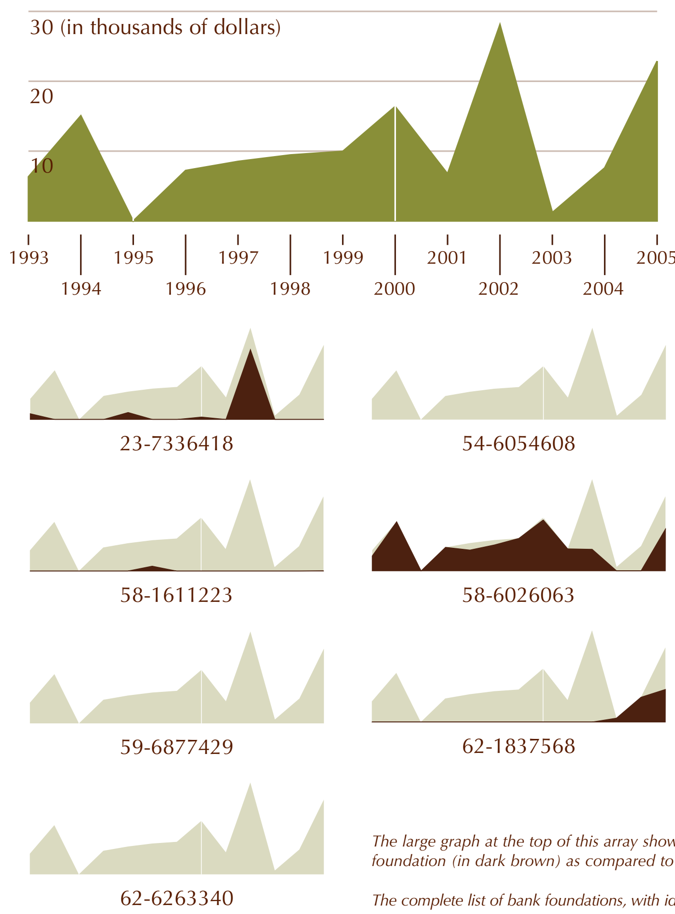
GRAPH 23: Total Amount Distributed as Grants in the Southern Region by SunTrust Constellation, 1993–2005



The large graph at the top left of this array shows the combined giving for all seven foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 6.

GRAPH 24: Total Amount Distributed as Grants in the Midwest Region by SunTrust Constellation, 1993–2005



The large graph at the top of this array shows the combined giving for all seven foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 6.

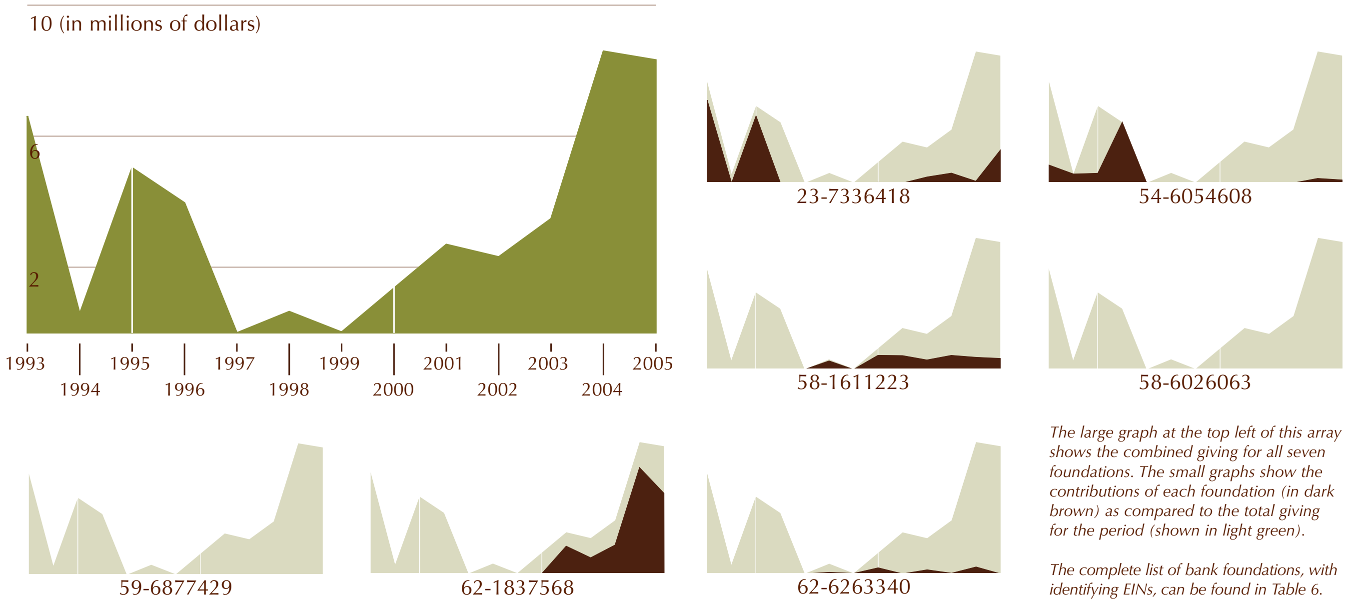
or SunTrust's own press release number of $13 million—when calculated as a percentage of corporate assets and revenue, puts SunTrust significantly behind the other banks. At the end of 2006, SunTrust Banks boasted assets of $182.2 billion, with 1,700 bank branches. This places SunTrust at approximately half the size of Wells Fargo, and yet its giving is not even one-fifth of Wells Fargo's.

As a midsized regional bank, nearly all of SunTrust's business is in the Southern region, and that is reflected in the regional breakdown of giving by its six foundations. In the Southern region (see Graph 23), the giving is steady and consistent and has been above $7 million since 1998.

Each year, varying amounts are distributed in the Midwest, West, and Northeast as national grants, but the levels are small. They were sparse and erratic, with the highest annual grant given in the West being less than $10,000. In the Midwest (see Graph 24), giving fluctuated annually, but never reached $30,000.

The change in 2004 and 2005 to more than double the amounts distributed in grants to national organizations may be a short-term anomaly, or may be a new trend to increase the corporation's visibility; either way, it helps explain the corresponding decrease in regional giving (see Graph 25.)

GRAPH 25: Total Amount Distributed as National Grants by SunTrust Constellation, 1993–2005



The large graph at the top left of this array shows the combined giving for all seven foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 6.

TABLE 6: Foundation EIN Lookup Table for SunTrust Constellation

EIN	Foundation Name	Bank Mergers	Years of EIN Information
SUNTRUST/SUN BANKS			
58-6026063	SunTrust Bank Atlanta Foundation	The Trust Co. of Georgia (1985)	1993–2005
62-6263340	SunTrust Bank of Tennessee Foundation (formerly Third National Foundation)	Third National Corp of Tennessee (1986)	1993–2005
59-6877429	SunTrust Bank of Florida Foundation		1993–2005
62-1837568	NBC Foundation, Inc.	National Commerce Financial Corporation (2004) (Memphis, Tenn.) Parent of National Bank of Commerce	2001–2005
58-1611223	SunTrust Carolinas Group Foundation (formerly CCB Foundation)	Central Carolina Bank (2000-NCFC)	1998–2005
23-7335418	SunTrust Foundation Mid-Atlantic (formerly Crestar Foundation)	Crestar (1998)	1993–2005
54-6054608	SunTrust MidAtlantic Charitable Trust (formerly Crestar Bank Charitable Trust)		1993–2005

F. WACHOVIA

With the purchase of Golden West Financial in 2006, Wachovia has offices in 21 states plus the District of Columbia. The bank's mortgage lending footprint includes 39 states; its auto financing covers 46 states; and its customer brokerage and asset management services is spread across 49 states. This variety of financial services across a broad swath of the country is forcing Wachovia to rethink the delivery of its philanthropy. When the corporation was focused primarily on retail banking in the Southeast, the retail banking footprint made sense as the focus for its philanthropy. As it spread into other geographic areas with that same set of business lines, it was easy to accommodate the increasing philanthropy to the increased geographic area. Now, as it expands into other types of financial services, it is beginning to address questions of how the philanthropy should be distributed: how does it define a market presence for services that are not retail-based and how should its philanthropic footprint adjust?

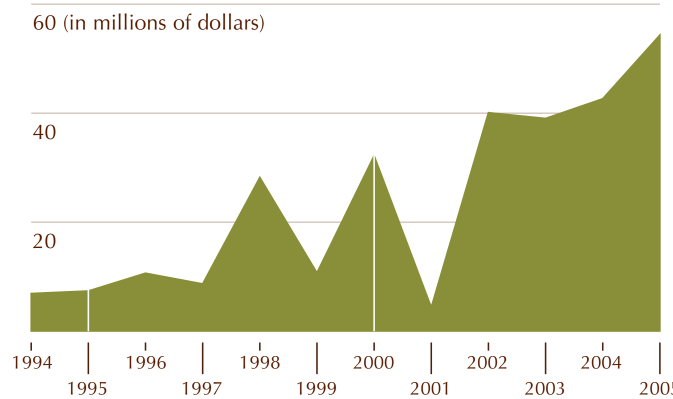
Structure and Philosophy

At Wachovia, the structure is similar to that of Bank of America. All functions considered "philanthropic" are managed by the Department of Community Relations, and include employee philanthropy (volunteerism and matching gifts) and community and strategic grantmaking. That department also is responsible for the bank's regulatory/CRA work. It does not consider loaned executives, concessionary investments, below-market lending, or program-related investments (PRIs) to be philanthropy; those are considered corporate business. The Department of Community Relations has about 150 staff, which is predominantly the CRA-regulatory staff, with 30 devoted to the Wachovia Foundation, and the director of the department reports to the director of human relations and corporate relations, who reports to the CEO. The Wachovia Regional Foundation in Philadelphia gives in eastern Pennsylvania, New Jersey, and Delaware; it is legally a separate corporation employing its own staff, but the director of the foundation reports to the director of community relations.

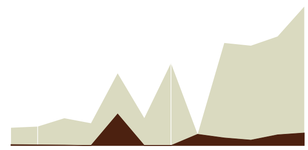
Areas of Focus for Philanthropy

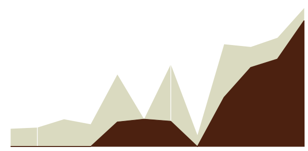
Wachovia focuses its community giving resources into two areas: improving education, and strengthening neighborhoods. Within these two, it includes financial literacy, which other banks count as a separate area of focus. In addition, they have two secondary focus areas:

GRAPH 26: Total Amount Distributed as Grants by Wachovia Constellation, 1994–2005



**Data partially missing in years 1999 and 2001.*





The large graph at the top of this array shows the combined giving for all three foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 7.

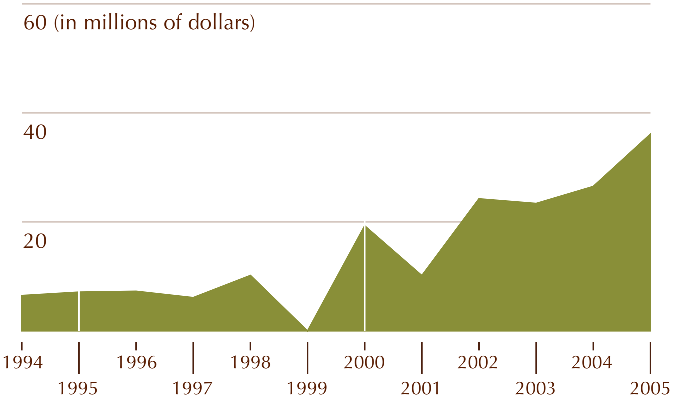
health and human services, and arts and culture. Like Bank of America, Wachovia uses an online grant application process. Potential applicants first take an eligibility quiz; if eligible for funding, they can then submit a neighborhood grant application. Wachovia prefers program support rather than operating support.

Levels of Giving

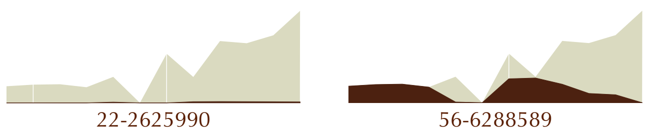
The 2006 Corporate Giving Directory reported that the Wachovia Foundation distributed $34.5 million in grants in 2004, plus another $6.5 million in employee matching gifts. Wachovia does not disclose the corporate contributions program levels. The corporation also distributed an additional $4 million through the Wachovia Regional Foundation.

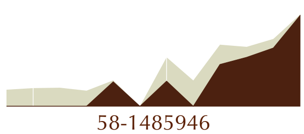
Overall, both of Wachovia's foundations' 990-PFs show a steady increase in its charitable giving (see Graph 26). This reflects growth both through mergers and organic growth. A corporate representative estimated that the corporation directs at least 85 percent of its giving through the Wachovia Foundation. Wachovia's policy is to contribute 1 percent of pretax profits through charitable donation; as profits increase through

GRAPH 27: Total Amount Distributed as Grants in the Southern Region by Wachovia Constellation, 1994–2005



**1999 and 2001 data missing because of faulty 990 records.*

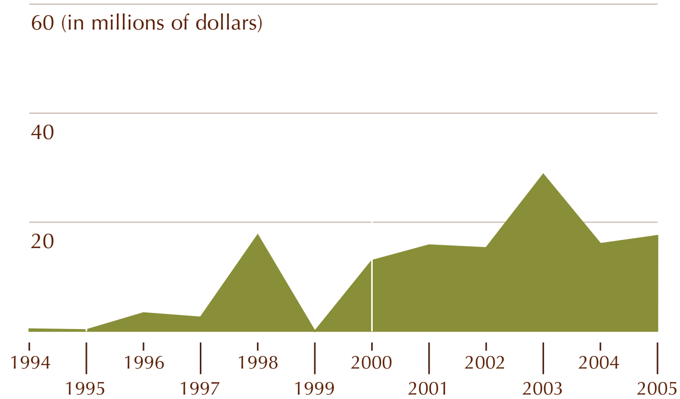




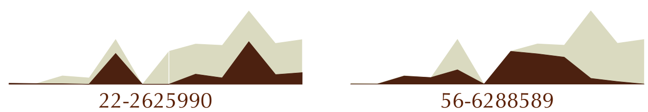
The large graph at the top of this array shows the combined giving for all three foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 7.

GRAPH 28: Total Amount Distributed as Grants in the Northeast Region by Wachovia Constellation, 1994–2005



**1999 and 2001 data missing because of faulty 990 records.*



The large graph at the top of this array shows the combined giving for all three foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 7.

growth and increasing efficiencies, the dollar amount going to philanthropy will increase.

In looking at the graph of Wachovia's overall giving, it is clear that giving did indeed increase rather than decrease through its major mergers. These acquisitions experienced some of the most heated regulatory review and community advocacy protests, which helped achieve the resulting stability in giving levels. Like the other bank constellations, Wachovia had to integrate different corporate and philanthropic cultures as well as legal foundations, and has done that, so there are now just the Wachovia Regional Foundation and Wachovia Foundation.

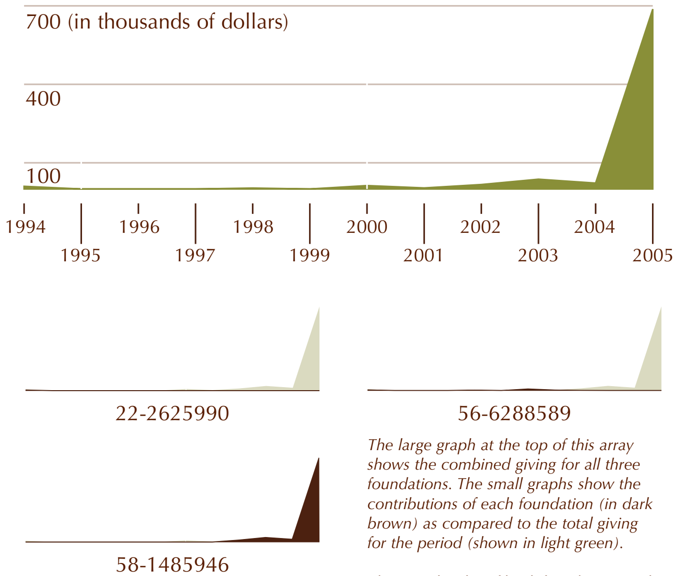
Given that both Wachovia and First Union, both of which merged in 2001, have their historic base in the South, it is not surprising to see a substantial giving presence in the southern region (see Graph 27).

The merger trail up the East Coast can be seen clearly in looking at the regional data. Wachovia's giving in the Northeast grows out of the predecessor corporations, First Union and CoreStates. The Northeast region has consistently received more than $15 million since 1998 (the year of the First Union–CoreStates merger), followed by a one-year increase in 2003 through the Regional Foundation (see Graph 28). Giving returned to the $15 million level in 2004 and 2005.

In recognition of its West Coast expansion in 2005 and 2006, Wachovia's 2005 giving level in the West jumped from an incidental level of $10,000–$40,000 to a new high of nearly $700,000. The corporation's 2006 merger with Golden West is one of many examples in which community advocacy regarding CRA prior to an acquisition/merger resulted in a growth in corporate philanthropy. Advocates will need to remain watchful to see if these increased giving levels will remain at this new level and grow further as Wachovia settles into this region.

Wachovia has almost no presence in the Midwest region, a fact reflected in the giving data, which shows small amounts of money being given there on an episodic basis (see Graph 30.)

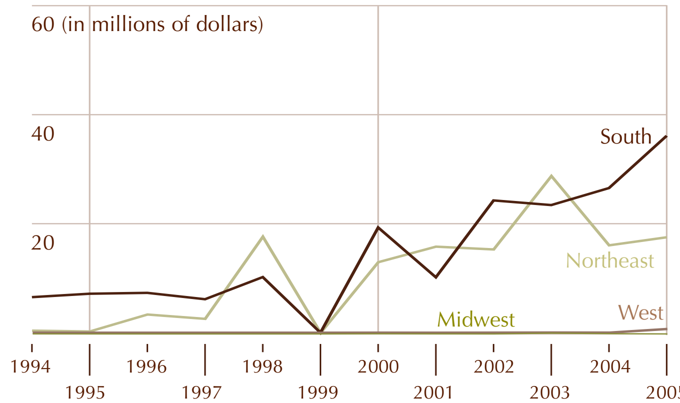
GRAPH 29: Amounts Distributed as Grants in Midwest Region by Wachovia Constellation, 1993–2005



The large graph at the top of this array shows the combined giving for all three foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 7.

GRAPH 30: Total Amount Distributed as Grants by Region, Wachovia Constellation, 1994–2005



** 1999 return reports $10 Million for Wachovia Foundation. However there is no information on how those grants were distributed so 1999 has no data on this regional graph.*

TABLE 7: Foundation EIN Lookup Table for Wachovia Constellation

EIN	Foundation Name	Bank Mergers	Years of EIN Information
WACHOVIA			
58-1485946	Wachovia Foundation		1998–2005
56-6288589	First Union Foundation	First Union (2001)	1993–2005
22-2625990	Wachovia/First Union Regional Foundation	CoreStates Financial Corp (1998) Philadelphia, PA	1994–2005

G. WASHINGTON MUTUAL

Washington Mutual focused most of its acquisition efforts on expanding in the California market and elsewhere in the region. In 1993, 1996, and 1997, it acquired the Pacific First Bank, the American Savings Bank/Keystone, and the Great Western Bank respectively. This was followed with the acquisition of H. F. Ahmanson & Company, a California thrift bank, in 1998. Washington Mutual became the second largest bank in California at that time as a result of the acquisitions.

Washington Mutual funds grant requests in 18 states, but in 9 of those the foundation only support programs in specific cities or counties, all of which are listed on its Web site.

Structure and Philosophy

Washington Mutual manages all philanthropic activities through the Community and External Affairs Division of the Corporation, which manages corporate giving, outreach programs, employee matching and volunteerism, CRA monitoring, below market lending, discounts, and concessionary investments. While there is a corporate foundation, a bank representative stated that the goal since 2003 has been to put all grantmaking through the corporation. The 2006 Corporate Giving Directory states that the foundation does not accept unsolicited proposals, and is used only for employee-related grants.

Washington Mutual's philosophy dictates that its philanthropy be independent of its business interests; it does not link its grantmaking to nonprofit organizations that do loan business with the corporation. Reminiscent of the old-fashioned model of corporate philanthropy as community charity rather than as a strategic business tool, Washington Mutual's perspective was articulated as giving "because it is the right thing to do and not just to drive business."

Areas of Focus and Process

Washington Mutual uses an online grant application process, which asks applicants to differentiate between requests of $10,000 or less, or more than $10,000. Its three priority areas include:

1. K-12 public education – grants to education programs that benefit K-12 public schools in which a majority of students receive free and reduced price lunches. It focuses its grants on professional development for teachers and principals, and school improvement strategies to improve achievement rates of students (not physical improvements to schools).

2. Affordable Housing and Community Development – investing in programs that build new housing, refurbish existing housing and revitalize neighborhoods. The foundation provides operating support for organizations developing long-term affordable housing, capacity building grants for nonprofit housing developers, and capital grants to build long-term affordable housing. The foundation also supports education for first-time home buyers with low to moderate incomes, or those with expanding small businesses that create job opportunities with living wages in low- to moderate-income neighborhoods.

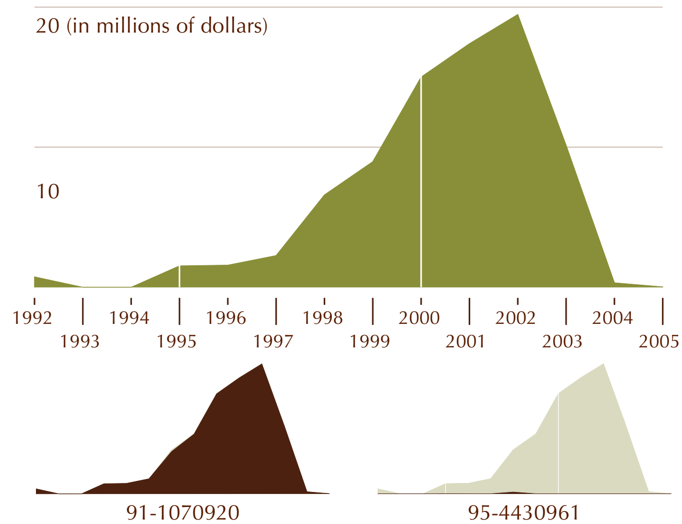
3. Financial Education – supporting financial education programs for young people and adults, to understand basic financial services and enhance their money management skills. This program does not support capital gifts for physical development, or cash or matching gifts to individuals.

A bank representative estimated that more than half of all Washington Mutual's grants go to nonprofit organizations as general operating support.

Merger Impact on Philanthropy

Consistent with the practices at other bank constellations, Washington Mutual stated that in the process of a merger or acquisition, the corporation will honor any and all outstanding commitments made by the predecessor bank. It also typically will provide funding for one year to those organizations that had been funded by the acquired corporation but which do not fit into the Washington Mutual grantmaking guidelines. This is consistent with the key informant interviews with nonprofit organizations in Chicago and Boston: organizations that do not fit into the new corporate priorities usually will

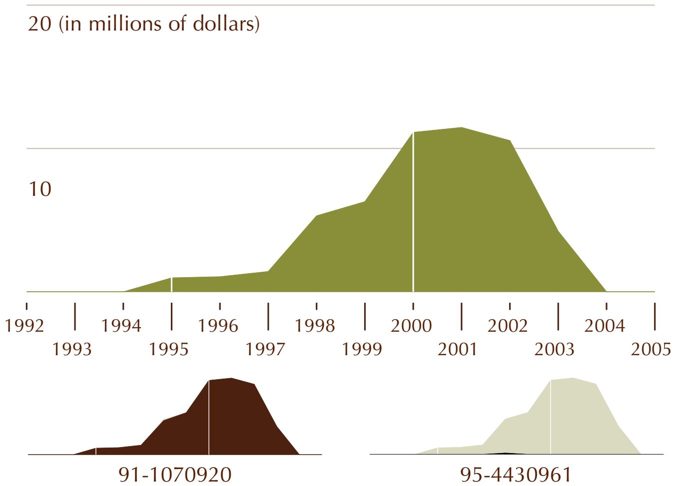
GRAPH 31: Total Amount Distributed as Grants by Washington Mutual Constellation, 1992–2005



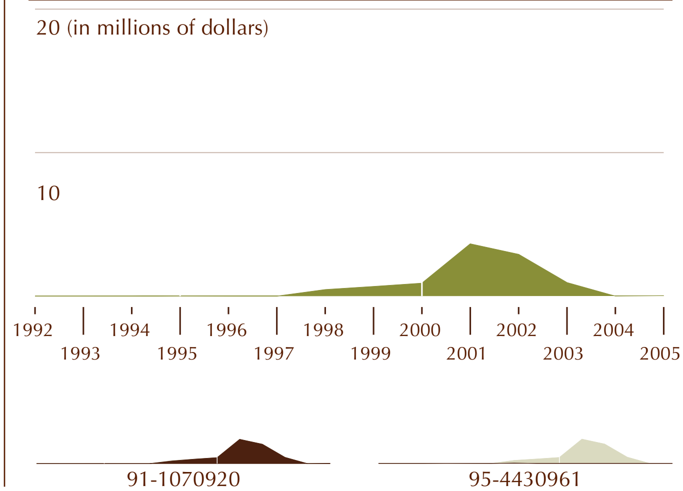
The large graph at the top of this array shows the combined giving for both foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 8.

GRAPH 32: Total Amount Distributed as Grants in the Western Region by Washington Mutual Constellation, 1992–2005



GRAPH 33: Total Amount Distributed as Grants in the Southern Region by Washington Mutual Constellation, 1992–2005



The large graph at the top of these arrays show the combined giving for both foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).
The complete list of bank foundations, with identifying EINs, can be found in Table 8.

receive only a one-year exit grant, no matter how long the relationship with the predecessor bank had been.

Levels of Giving

According to the 2006 Corporate Giving Directory, Washington Mutual had a 2002 giving level of $52 million through the corporation, which included $18 million in grants and $34 million in in-kind gifts. The Directory reported just $68,000 through the Foundation in 2004. This substantiates the statement by a bank representative that all giving is now done through the corporation, except for employee gifts for disaster relief. In looking at the data, it is clear that this was a corporate change made between 2002 and 2003. In 2000, 2001, and 2002, the Foundation reported giving levels above $15 million. In 2003 it dropped to $10 million, and in 2004 was less than $1 million (see Graph 31).

Because the overwhelming majority of Washington Mutual's giving is now through the corporation and therefore not disclosed, there is no way to know the regional distribution of those contributions made after 2002. For the Foundation, the Western region was the primary recipient of grant dollars between 2000 and 2002, receiving approximately $11 million each year (see Graph 32). This is consistent with the corporate historical base on the West Coast.

The southern region received $3–$4 million each year, although prior to 2001 it was below $1.5 million. Grants to national organizations or causes were supported by Washington Mutual, with a large increase in 2001, 2002 and 2003 (see Graph 33).

On its Web site, Washington Mutual provides a community annual report, which claims $44 million in grants made across the United States in 2005. Because it has shifted its giving from the foundation to the corporation, there is no way to verify this claim through external sources. Even assuming that the numbers put forward by the corporation are accurate, considering its asset size, Washington Mutual's giving level does not compare well with other banks of similar size, such as Bank of America and Wachovia.

TABLE 8: Foundation EIN Lookup Table for Washington Mutual Constellation

EIN	Foundation Name	Bank Mergers	Years of EIN Information
WASHINGTON MUTUAL SAVINGS			
91-1070920	Washington Mutual Foundation		1992–2005
		HF Ahmanson (Home Savings and Loan of America (1998)	
95-4430961	Great Western Foundation	Great Western Financial Corp (1997) Seattle, WA	1993–1998
		American Savings Bank (Keystone Holdings) (1996)	

H. WELLS FARGO

Wells Fargo defines its corporate geographic area as comprising 23 states in the Western, Midwest and Southern regions. While there was a consistent steady history of acquiring small and regional banks, the milestone merger was the 1998 merger of Wells Fargo with Norwest of Minnesota.

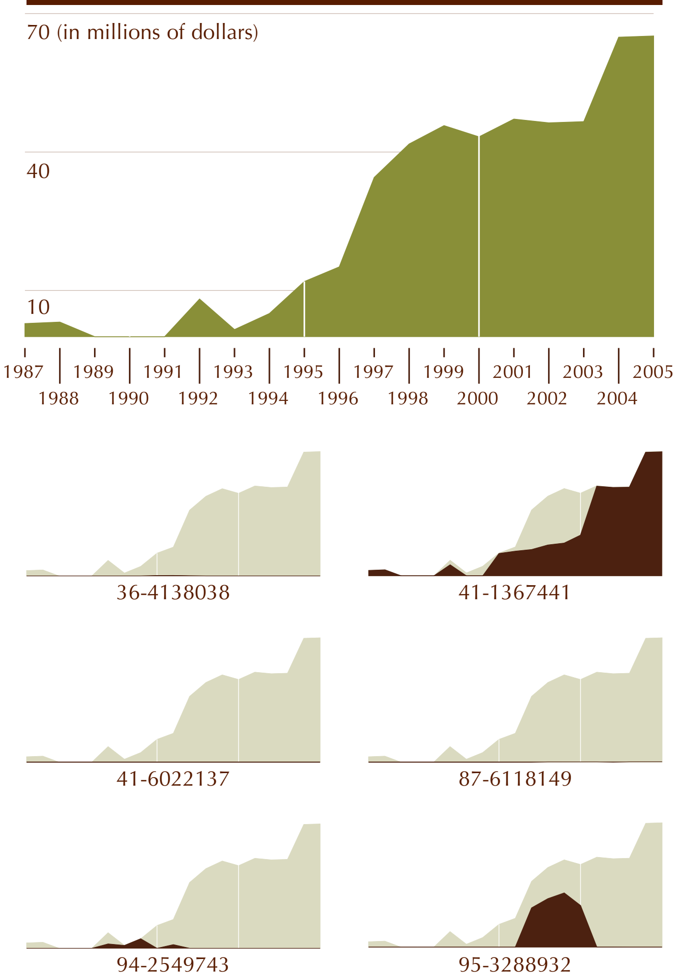
Philanthropy Structure and Philosophy

Wells Fargo gives through both its corporate contributions program and the Wells Fargo Foundation. Both are managed by Tim Hanlon, the foundation president and Wells Fargo corporate senior vice president for the Corporate Community Development Group.

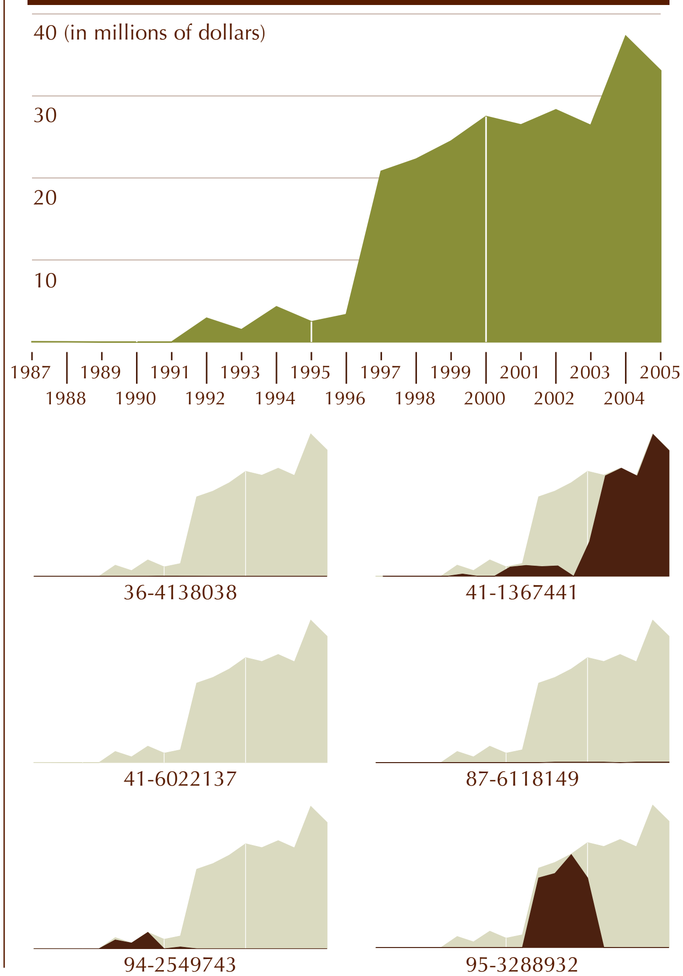
Wells Fargo uses an integrated regional structure for its foundation and corporate giving. Applications are submitted on paper to regional contacts; decisions are decentralized, made by local Wells Fargo managers, for both the foundation awards and corporate event sponsorships. This is more consistent with how nonprofit organizations in the key informant interviews expressed their preferred method – local decisions made by local employees who know the local needs and are engaged with local leadership to discuss problems and how the bank can assist as a partner.

Wells Fargo concentrates its giving through the program focus areas of its housing initiatives, called the Wells Fargo Housing Foundation; it used to be a separate foundation, but is now is a program of the Wells Fargo Foundation. Within its Housing program, Wells Fargo also supports traditional housing and housing counseling programs, Financial Education Initiatives, and has developed the "Hands on Banking/El futuro en tus manos" Initiative. Another initiative, called the Focus Communities Initiative, awards up to $100,000 project support to a housing organization or housing development as a "matching" grant for every dollar that

GRAPH 34: Total Amount Distributed as Grants by Wells Fargo Constellation, 1987–2005



GRAPH 35: Total Amount Distributed as Grants in the Western Region by Wells Fargo Constellation, 1987–2005



The large graph at the top of these arrays show the combined giving for all six foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).
The complete list of bank foundations, with identifying EINs, can be found in Table 9.

is raised by the entity in a six-month time frame. The funds can be used to pay for down payment and closing cost assistance, construction, or rehabilitation costs.

The Wells Fargo Foundation manages the employee educational matching grants program—to match contributions up to $6,500 that employees make to accredited educational institutions. It also has a more traditional employee giving program, which encourages employees to donate to any nonprofit agency and a Volunteer Service Program donates to nonprofits at which employees volunteer. The corporation encourages employees to volunteer, and gives them the ability to take time off from work to do so, up to twelve hours per quarter.

One innovative program unique to Wells Fargo is its Employee Volunteer Leave Award, which will provide a full-paid leave with benefits for up to four months to selected employees, to allow them to devote their time for the four months to a volunteer initiative.

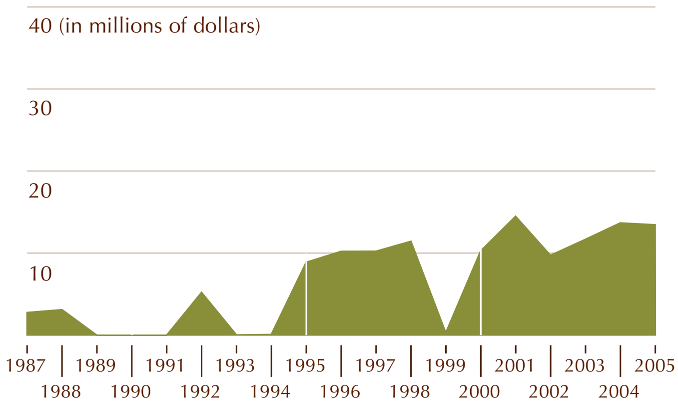
Levels of Giving

According to the 2006 Corporate Giving Directory, Wells Fargo corporate contributions in 2003 were $35 million. The Directory reported Foundation giving in 2004 at $57 million in grants, and $5.7 million for employee matching grants. An additional $163,000 was given in 2004 through the First Security Foundation. At its web site, Wells Fargo claims a giving level for 2005 of $95.2 million through the Foundation.

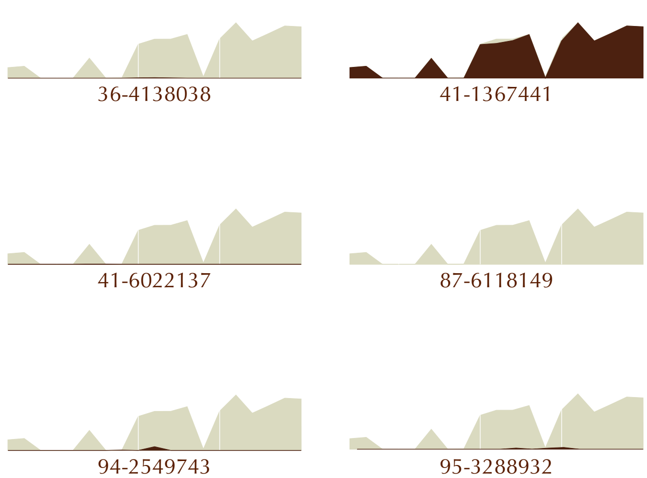
Our data from the 990-PFs account for $64 million in 2004, but there was data missing from the 990s for one of the older corporate foundations and for First Security Foundation in 2002 and 2003, so the totals could be higher than those represented in the graphs.

Looking at overall giving levels (see Graph 36), it becomes clear that the corporation's foundation contributions remained steady after the 1998 Norwest merger and have grown in more recent years. Similarly, the number of grants given per year has grown, although

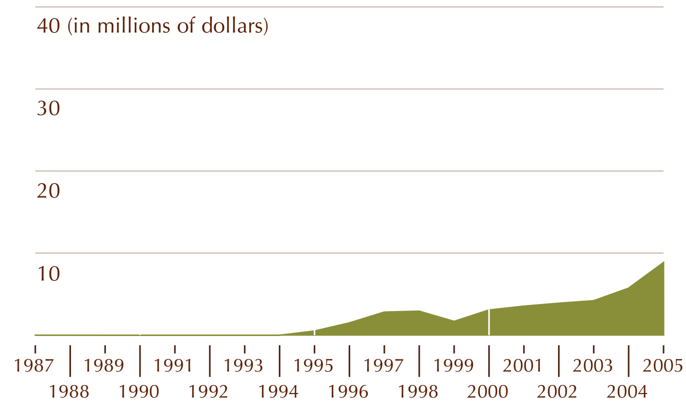
GRAPH 36: Total Amount Distributed as Grants in the Midwest by Wells Fargo Constellation, 1987–2005



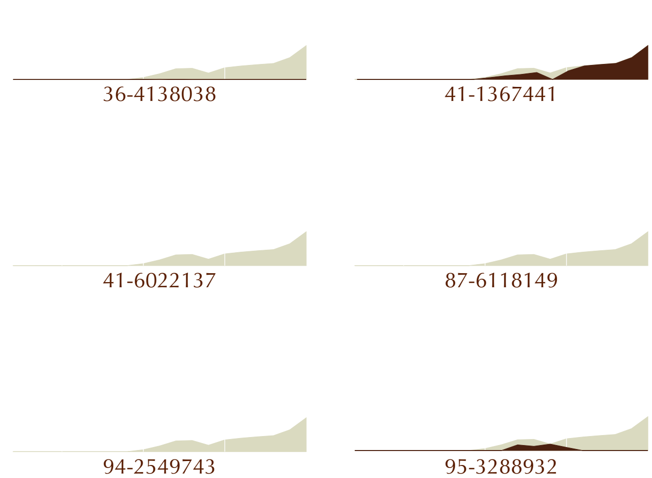
Data partially missing for 1999 and 2001 for one foundation.



GRAPH 37: Total Amount Distributed as Grants in the South by Wells Fargo Constellation, 1987–2005



Data partially missing for 1999 and 2001 for one foundation.

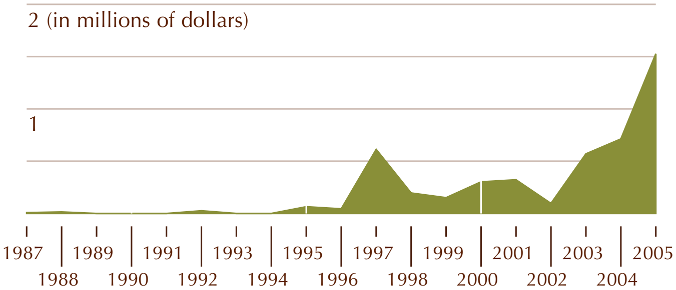


The large graph at the top of these arrays show the combined giving for all six foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green). The complete list of bank foundations, with identifying EINs, can be found in Table 9.

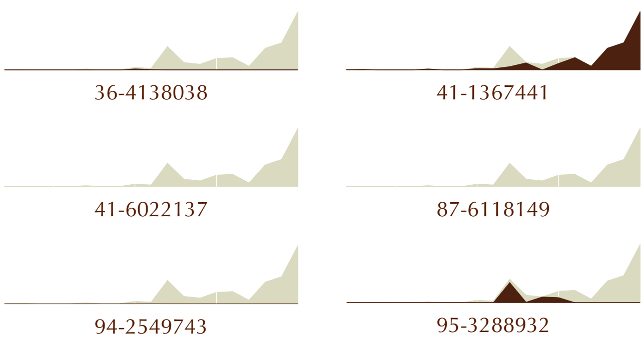
the trend-line in number of grants has been more erratic than the total dollar amount of donations.

In 1997, when preparing for the Norwest merger, Wells Fargo committed to the Office of Comptroller Currency and Alan Greenspan (then head of the Federal Reserve) that it would make $300 million in corporate contributions over ten years. While it sounds impressive, it amounts to only $30 million per year, and among all of the banks that make up the constellation, it was a target easily met and rapidly exceeded.

GRAPH 38: Total Amount Distributed as Grants in the Northeast by Wells Fargo Constellation, 1987–2005



*Data missing for 1999 and 2001.



The large graph at the top of this array shows the combined giving for all six foundations. The small graphs show the contributions of each foundation (in dark brown) as compared to the total giving for the period (shown in light green).

The complete list of bank foundations, with identifying EINs, can be found in Table 9.

Given its position in asset size and pre-tax net revenues, Wells Fargo appears to be on par with its peers in corporate giving.

Wells Fargo regional distribution

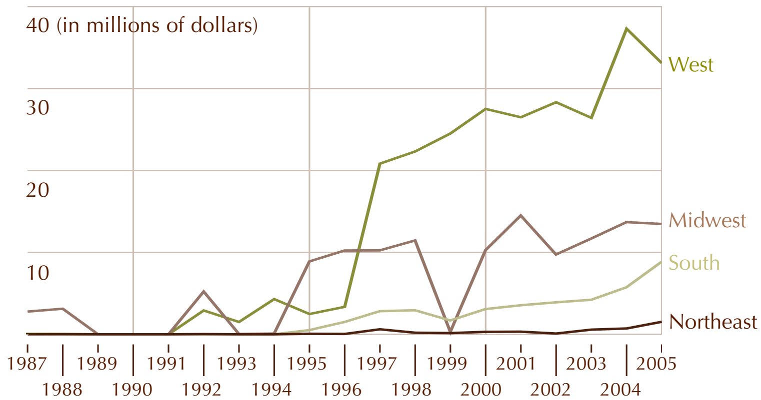
As would be expected, the Western region has received the bulk of Wells Fargo's largesse (see Graph 39). There was significant growth from 1996–1998, then more incremental growth through 2003, with another spike in giving in 2004 and 2005.

In the Midwest, the level of giving is less than in the West, in the range of $9–$14 million annually since 1995, compared to the West's $20–$40 million.

In the South (see Graph 37), Wells Fargo Foundation giving has increased steadily since 2000, growing from $2 million in 2000 to nearly $9 million in 2005.

In the Northeast (see Graph 38), where Wells Fargo has little or no banking presence, there was nominal giving, ranging from under $500,000 in the late 1990s to $1 million in 2005.

GRAPH 39: Total Amount Distributed as Grants by Region by Wells Fargo Constellation, 1987–2005



*Data partially missing for 1999.

TABLE 9: Foundation EIN Lookup Table for Wells Fargo Constellation

EIN	Foundation Name	Bank Mergers	Years of EIN Information
WELLS FARGO			
94-2549743	Wells Fargo Foundation		1992–1996
95-3288932	The Wells Fargo Foundation		1994–2002
87-6118149	First Security Foundation	First Security Corp (2000) (Salt Lake City UT)	1998–2003
41-1367441	The Wells Fargo Foundation (formerly Norwest Foundation)	Norwest–Wells Fargo & Company (1998)	1987–2004
41-6022137	Norwest Bank Minneapolis Foundation		1988–1993
36-4138038	Norwest Housing Foundation		1995–1999 (1999 is final return)

VIII. Findings & Recommendations

Corporate philanthropy has grown in prominence over the past ten years, and has changed from its role as a "token" given back to communities to a key component of corporate business strategy. Within this context, banks and bank philanthropy also have changed significantly during the last decade. This study found that **as banks experienced significant growth in the 1990s, both through mergers and through organic growth, bank philanthropy has increased correspondingly. Among the seven bank constellations studied in this report, it is clear that not only has philanthropy not decreased through this period of time, but in fact has seen exponential growth in some instances.** Key factors for this growth include the shifting role of philanthropy as a key business strategy, and the important work done by community advocates at the time of each of these mergers, pushing regulators and banks to ensure that the needs of the community were not forgotten in the distribution of loan and deposit products, and in their philanthropy.

While overall philanthropy has not decreased as a result of mergers, there are cases in which it appears not to have significantly increased either following a merger. **There is evidence among some banks of a shift toward funding national organizations, with a corresponding drop in local giving.** The growth in grants to national organizations substantiates comments made in key informant interviews with local grassroots nonprofit organizations that, while there may be an overall growth in bank philanthropy, the local nonprofits have experienced a decrease in funding as grants have shifted to national organizations. **There also has been a shift across regions, with the Southern region being a clear winner of increasing bank philanthropy.** This has been partially due to growth in philanthropic dollars, and partially through a shifting of funds from other regions.

NEED FOR FURTHER RESEARCH

Further research is needed to illuminate this shift, and to look at the movement of funds between states at the subregional level. That could include updating the data beyond the 2004 mergers to look at the ongoing impact of the JPMorgan Chase–Bank One merger, the Bank of America acquisition of Fleet, and the new acquisitions being made on the West Coast by Wachovia. The initial list of banks that had been developed for this research project included several other bank constellations; a future study could include other regional and national banks, as well as a continued look at some of the existing constellations.

ADDITIONAL FINDINGS AND RECOMMENDATIONS

FINDING: The significant majority of the bank foundations' IRS 990-PF returns are in violation of IRS rules regarding what information should be included in the return. In digging through bank foundation 990-PFs, it became clear that a vast majority provided incomplete information, such as missing addresses of grantees, purposes of the grants, and list of grants; many listed only the recipient organization's name. In approximately 35 percent of the returns, the amount given by the organization on line 25 as the total for contributions did not match the total from the detailed lists of contributions pages later in the return. Additionally, 20 percent of our dataset had incomplete information because of gaps in the data. Some returns had missing or illegible pages. It is possible that these problems are not unique to bank foundations; corporate foundations in other sectors also may be guilty of submitting incomplete or poor quality returns.

Recommendation: The IRS should enforce the existing filing rules for corporate foundations to

ensure complete and legible returns that include all of the information required by law.

Recommendation: Bank and other corporate foundations should voluntarily comply with existing law and provide all required information on their IRS 990-PF returns, even if the IRS does not increase enforcement.

FINDING: Many claims made by banks about their philanthropy are not externally verifiable. We found that the claims of charitable giving at some bank Web sites and in written materials often differ significantly from what is externally verifiable through examination of IRS forms or other public documents. Researchers examining the claims of corporate foundations in other sectors may be encountering the same problem. Currently, the IRS does not require full disclosure regarding corporate contributions not made through a foundation. Yet, since corporations receive tax breaks on those contributions, the public therefore has a right to know. Without new federal regulations requiring full disclosure of corporate philanthropy, external verification of claims being made by bank corporations that they contribute millions and even billions to the communities in which they work will remain impossible.

Recommendation: Congress should pass legislation directing the IRS to require full disclosure of corporate philanthropy.

Recommendation: Banks and other corporations should voluntarily channel the vast majority of their philanthropic giving through a corporate foundation so that full public disclosure can be achieved using the current IRS form 990-PF.

FINDING: There is a lack of standardization regarding what is included in the definition of "philanthropy" by financial services corporations. Some banks count within their own giving levels those contributions made by their employees. Others count the value of reduced-rate loans, or the cost of cause-related marketing campaigns or event sponsorships. The Corporate Giving Standard developed by the Committee to Encourage Corporate Philanthropy (CECP) provides clear definitions and categories to allow consistency across years and across companies and sectors.

Recommendation: Financial services corporations should adopt a single standard definition for what is included in corporate philanthropy and should not count giving by employees, giving that is primarily for marketing purposes or reduced-rate loans.

FINDING: Community advocates have contributed to increased levels of philanthropic giving by banks. Community organizations and other advocates have successfully used CRA and public pressure to spur higher levels of charitable giving by banks.

Recommendation: Community organizations should continue to advocate for higher levels of philanthropic giving by banks at all times, especially before, during, and after bank mergers.

FINDING: A strong philanthropic culture at one or both banks prior to a merger contributes to increased levels of philanthropic giving after the merger. In some cases, in addition to increased giving overall, the philanthropic priorities of the institution being acquired also were maintained post-merger.

Recommendation: Internal and external advocates of increased levels of philanthropic giving by banks should work strategically with smaller and regional banks to assure they have a strong philanthropic culture that can be maintained throughout the banks' growth and through any future merger or acquisition.

THERE IS STILL MUCH TO DO

Although giving by merged banks has increased, financial services companies still are below the average level of corporate giving when measured as a percentage of pretax profit.

Those who favor increased levels of philanthropic giving by banks should utilize the more general percentage of pretax net revenues as the baseline standard for bank corporate philanthropy. As financial service corporations continue to grow into mega-corporations with many types of business lines beyond retail banking, the percentage of their assets and business activity that the bank regulators and community reinvestment advocates are concerned about will continue to be reduced. With Bank of America's acquisition of credit card giant

MBNA Corp., for example, its assets increased without an increase in branches, deposits, or market share. Will there be an increase in corporate giving to reflect the growth of the corporation? Or will the giving level stay low, with no community outcry, since there is no community of former grant recipients watching, as there had been in Boston at the time of the Fleet merger?

What happens if Bank of America or Citigroup buys into the student loan business through the purchase of Sallie Mae? How will their philanthropy change with those profits? .

Other industries contribute more than 1 percent of their pretax profits, and as large financial corporations continue to reduce their efficiency ratio, it can be argued that they, too, can and should contribute a greater share of profits back to the community. According to the CECP annual Corporate Giving Standard's Report, the Consumer Discretionary Products Sector averages a pretax giving level of 3 percent, and the Information Technology Sector averages 1.7 percent. Bank of America's efficiency ratio in the fourth quarter of 2006 reportedly was 47 percent; Wachovia is in the final year of an initiative launched in 2005 to reach its target efficiency ratio of between 51.5 and 53.5 percent, down from its previous ratio of 55 percent.[30] The lower the efficiency ratio, the higher the profits, so the dollar amount included in the 1 percent pretax profits would increase. With large bank corporations having a very healthy efficiency ratio, hovering around 50 percent of operating expenses over income, that provides the economic allowance for higher levels of philanthropy while still fully satisfying shareholders. The question then becomes whether society believes that 1 percent is sufficient, or if a higher percentage should be encouraged.

Realistically, the level of corporate profits devoted to philanthropy is not going to become a primary area for government regulation. As these financial mega-corporations continue to grow in their non-CRA lines of business, what regulatory influence there is in CRA diminishes. CRA still is important, and where possible, CRA negotiations and monitoring should continue to include philanthropic grantmaking. Regulators and communities need to be especially in tune to the reality that giving often increases in advance of a merger or acquisition. Many of the historic gains in bank philanthropy can be attributed to the community advocacy that occurred through CRA agreements and bank merger challenges. And wherever there needs to be government review prior to a financial corporate merger or acquisition, the question of corporate philanthropy levels should be on the table.

The Community Reinvestment Act still is critically important, and should not be forgotten, but it should not be combined with a bank's philanthropic programs; these should be distinct so that the two can be monitored and measured separately. Without the separation, it is unlikely that communities will be able to fully ask for what they need and deserve from both programs because their area of overlap is diminishing as the percentage of business focused on retail banking (and thereby covered by CRA) is shrinking within financial corporations. What any bank does in compliance with the CRA is just one part of the larger question of what that bank should do in its corporate philanthropy. And what the bank corporation is doing in its corporate philanthropy is only one part of the question of how it is serving the community under the CRA. Both are critically important, but they are different.

Considering philanthropy as part of CRA should be the beginning and not the end, because in the long term, more will be gained by advocating a general expectation of higher philanthropy levels as a responsibility of corporate citizenship. The government and Congress should be willing to use their powers of oversight and inquiry judiciously to spotlight, and if necessary, shame financial corporations into taking leadership roles in philanthropy at a responsible level. Banks are sensitive to "reputational risk" concerns and, with the right mix of public attention, including government and media, can be pressured into improved behavior. But even that will be episodic at best, a reactionary rather than proactive process.

For long-term change, there also must be active support inside and outside these financial institutions. More should be done to publicize the efforts of organizations such as the CECP, and their industry measures, to raise the question of what is the right level of corporate philanthropy, and to publicize the best that is being done by corporations so that those higher levels of giving become the expectations for others to strive toward.

The review of the data on these seven bank constellations philanthropy through their bank foundations during the years of significant merger activity confirms that the work done by both internal and external advocates has been important. And there still is much to do.

Notes

1. *Summary Report, Board of Boards CEO Conference, Committee to Encourage Corporate Philanthropy*, www.CorporatePhilanthropy.org, (March 2007).
2. "Constellations" is used to describe a current bank and the prior banks that were integrated through the mergers.
3. See Appendix A for a list of advisors and key informants.
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6. Porter, Michael E. and Kramer, Mark R., "Competitive Advantage," *Harvard Business Review*, Dec. 2002:57–68
7. Ibid.
8. *Summary Report, Board of Boards CEO Conference*, Committee to Encourage Corporate Philanthropy, www.CorporatePhilanthropy.org, (March 2007).
9. Ibid.
10. Abshire, Michael, "Merging Traffic," Corporate Philanthropy Report, 14:10, October 1999, 1.
11. The Center for Ethical Business Cultures, *Mergers: Implications for Corporate Philanthropy & the Community*, Minneapolis, MN, 2001, 15–17.
12. Ibid.
13. Giving Directory, Foundation Center, New York, 2006; and *Worth* Magazine, Dec.99/Jan.2000.
14. Aldrich, Nelson, Jr., "America's Most Generous Companies," *Worth* Magazine, Dec.99/Jan.2000, 144.
15. Ibid.
16. *Key Facts on Corporate Foundations*, The Foundation Center, expanded online version, June 2006, page 3
17. 2004 Progress Report, Committee to Encourage Corporate Philanthropy, www.CorporatePhilanthropy.org, (March 2007).
18. Mason, Edward, "Hub groups fret as B of A takes heat on giving," Boston Business Journal, December 12, 2003.
19. Kwan, Simon, *FRBSF Economic Letter*, Federal Reserve Bank of San Francisco, 2004-15, June 18, 2004.
20. Ibid.
21. Rhoades, Stephen, *Bank Mergers & Industrywide Structure, 1980–1994*, Board of Governors Federal Re.serve System, 1996.
22. Rhoades, Stephen, *Bank Mergers & Banking Structure in the US, 1980–1998*, Board of Governors Federal Reserve System, 2000.
23. Rhoades, Stephen, *Bank Mergers & Industrywide Structure, 1980–1994*, 1996.
24. Wachovia Report to Investors, www.wachovia.com (March 25, 2007).
25. Bostic, Raphael, et al., *Regulatory Incentives and Consolidation: The Case of Commercial Bank Mergers and the Community Reinvestment Act*, May 21, 2002, 3.
26. Garone, Stephen J., *The Link Between Corporate Citizenship and Financial Performance*, The Conference Board, Research Report 1234-99-RR, 1999.
27. American Bankers Association, Banking Institution Mergers: Questions and Answers, February 2003, www.aba.com/Industry+Issues/ECO_Mergers_QA.htm.
28. National Community Reinvestment Coalition, www.ncrc.org.
29. Core operating support includes financial support for administrative or "overhead" costs such as office supplies, employee salary and benefits, rent and project development.
30. Boye, Will, "Wachovia efficiency initiative savings near $1 billion," Charlotte Business Journal, Jan. 26, 2007.

Appendix A: Advisors and Key Informants

To assist in framing the research methodology and core research questions, NCRP consulted a variety of professionals from within the banking, community advocacy, and nonprofit fields. Their advice was supplemented through key informant interviews with bank representatives and leaders in the nonprofit sector. The following persons gave their time and expertise through one or more of those conversations.

Name	Affiliation
Lane Alexander	Chicago Human Rhythm Project
Joanne Appleton Arnaud	Boston Adult Literacy Fund
Jan Breidenbach	Southern California Association of Non-Profit Housing
Laura Eilts	Chicago Cares
Lelia Orrell Elliston	Neighborhood of Affordable Housing (NOAH)
Nathalie Favre-Gilly	Casa Myrna Vazquez, Inc.
Elizabeth Franke	Affordable Housing Institute, Boston
Carol Gallant	National Cooperative Bank
Richard Godfrey	Rhode Island Housing and Mortgage Finance Corp.
Bob Gnaizda	Greenlining Institute
Tammie Grossman	Housing Action Illinois
Gary Hattem	Deutsche Bank Americas Foundation
Joseph Hulbert	Center for Community Arts Partnerships – Columbia College Chicago
Audrey Katz	Best Buddies, Massachusetts
Pamela Kersey	JPMorgan Chase
Antonio Manning	Washington Mutual
Ofelia Navarro	Spanish Coalition for Housing
Carol Parry	Formerly at Chase Manhattan Bank
Andrew Plepler	Bank of America
Michael Rizer	Wachovia
Phyllis Rosenblum	HSBC
Patty Siebert	Chicago Public Library Foundation
Julie Silcox	Bank of America Foundation
Natasha Scotnicki	Ceres
Josh Silver	National Community Reinvestment Coalition
Diane Sterner	Housing and Community Development Network of New Jersey
Barbara Talisman	Chicago Cares, Inc.
Vince Tilford	Charter One Bank
Jackie DuPont Walker	Ward EDC, Los Angeles
Darcy Walker	Sherwood Conservatory of Music
Darren Walker	Rockefeller Foundation
Deborah Warren	Southern Rural Development Institute
Marva Williams	Woodstock Institute

Appendix B: U.S. Regions

MIDWEST

Illinois
Indiana
Iowa
Kansas
Michigan
Minnesota
Missouri
Nebraska
North Dakota
Ohio
South Dakota
Wisconsin

NORTHEAST

Connecticut
Maine
Massachusetts
New Hampshire
New Jersey
New York
Pennsylvania
Rhode Island
Vermont

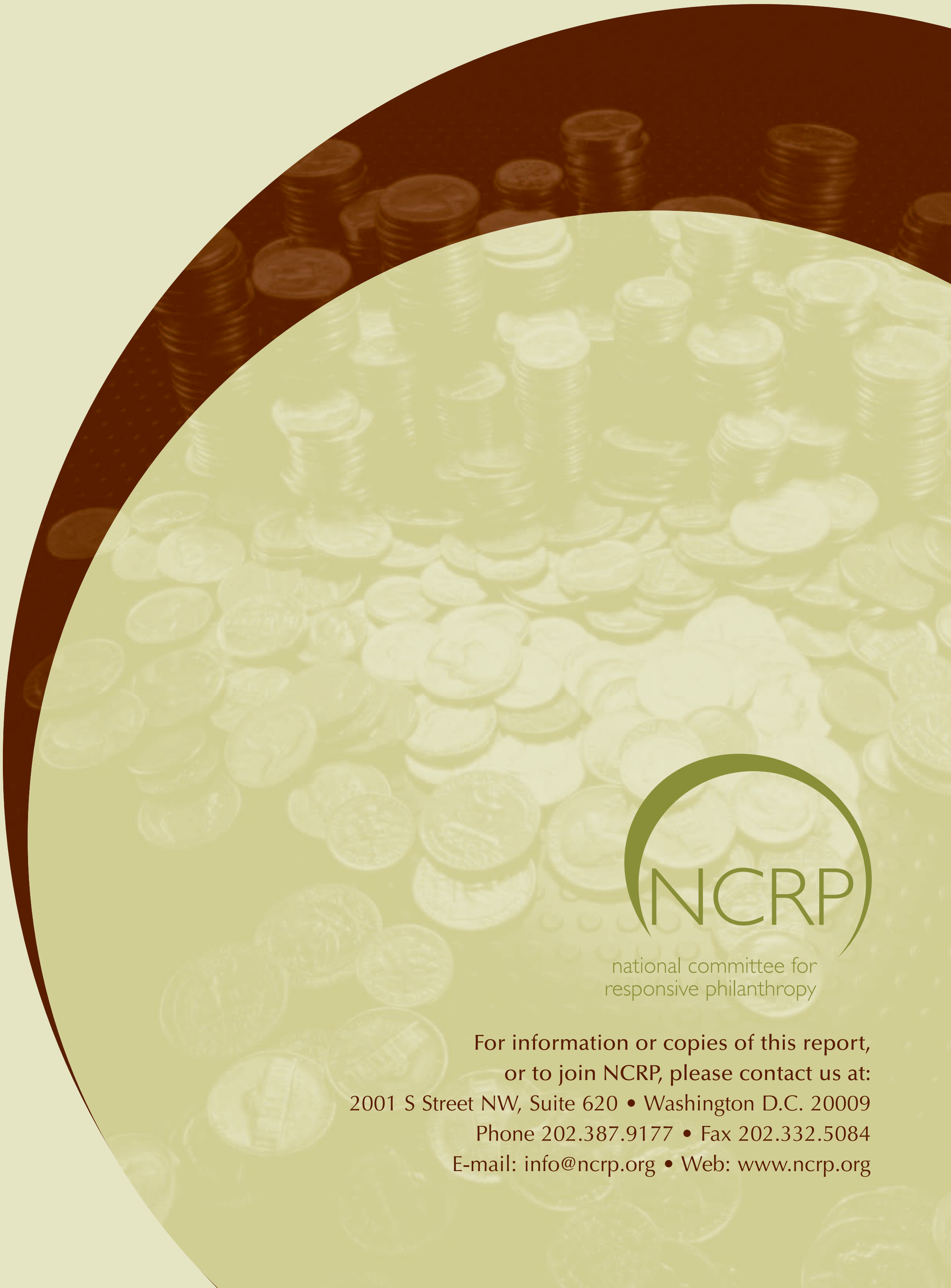
WEST

Alaska
Arizona
California
Colorado
Hawaii
Idaho
Montana
Nevada
New Mexico
Oregon
Utah
Washington
Wyoming

SOUTH

Alabama
Arkansas
Delaware
District of Columbia
Florida
Georgia
Kentucky
Louisiana
Maryland
Mississippi
North Carolina
Oklahoma
South Carolina
Tennessee
Texas
Virginia
West Virginia

Banking on Philanthropy: Impact of Bank Mergers on Charitable Giving



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