Santander chairman faces critical shareholders

Complaints include Madoff investments, Sovereign purchase

BY THOMAS CATAN AND CHRISTOPHER BJORK

MADRID—The chairman of Banco Santander SA faced down critical shareholders on Monday and promised to unveil "magnificent" annual results next week.

Emilio Botín said Santander's earnings would be among the "best in the industry." But his audience applauded several shareholders who were highly critical over losses suffered in Bernard J. Madoff's alleged Ponzi scheme.

Santander, Europe's second-largest bank by market value behind HSBC, long prided itself on its stringent risk controls and has survived the current financial turmoil relatively unscathed. Moreover, Mr. Botín—a revered figure in Spain who is the third successive member of his family to head Santander—used the financial crisis to snap up several troubled lenders in the U.K. and U.S. at firesale prices.

Emilio Botín

But the bank's and Mr. Botín's reputations were tarnished by Santander's large exposure to Mr. Madoff. Though the bank had direct losses of only €17 million ($22.1 million), its clients had losses totaling €2.33 billion, among the largest by clients of a commercial bank.

On Monday, Mr. Botín was embroiled in several testy exchanges with shareholders and on one occasion appeared to lose his composure. Shareholder Ignacio Quirós, called Mr Botín an "absolute incompetent" who had persuaded people to hand over their life savings to Mr. Madoff.

Mr Botín repeatedly cut off Mr. Quirós and was caught on an open microphone saying: "Get this guy out of here! Why don't the police throw him out?"

A Santander spokesman said the comment wasn't audible in the meeting, though it could be clearly heard on a Webcast of the event. Mr Botín has previously promised to deliver a net profit for 2008 in excess of €10 billion, and his comments suggested the bank would meet that target.

But such results could increase pressure on Santander to compensate clients for losses tied to Mr. Madoff's fund. Lawyers representing the victims say that many were small investors who had invested through Santander's branch network.

"Many clients have lost all their money on this financial scandal, money they had earlier deposited with the bank that they trusted," said Luis Bericat, a lawyer at Cremades & Calvo-Sotelo, which is representing dozens of Santander clients who lost money through products invested with Mr. Madoff.

Other shareholders criticized the takeover of Sovereign Bancorp, a troubled U.S. lender that Santander has a 25% stake in. In October, Santander said it would buy the remaining 75% of the Philadelphia-based bank for $1.9 billion. Shareholder Antonio Panea called the planned purchase "a grave error" and called for the resignation of Santander's chief executive, Alfredo Sáenz. But Mr. Botín defended the acquisition of Sovereign, saying it would allow the bank to diversify geographically.

LETTER FROM THE CITY

News and insights from London's financial center

Assigning blame for banking crisis

Hedge funds called on carpet as British examine the role of short selling in turmoil

BY CASSELL BRYAN-LOW

As the U.K. government scrambles to prop up some of the country's biggest banks, political leaders are trying to find someone to blame for the current mess.

On Tuesday, a parliamentary

each bank.

In an open letter last week to the head of the FSA, Mr. McFall asked the agency to reintroduce the ban if short selling is found to have contributed to the sector's instability. FSA chief Hector Sants responded in a Jan. 21 letter that "we do not believe that short selling has been a major factor in determining the fall in the share prices that we have seen over the last few days." The government has kept in place a requirement for investors to publicly disclose any short positions of more than 0.25% of a company's shares.