

BANCO SANTANDER CHILE
Form 20-F
April 30, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

**..REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES
EXCHANGE ACT OF 1934**

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
x 1934**

For the fiscal year ended December 31, 2013

OR

**..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

Commission file number: 1-14554

BANCO SANTANDER-CHILE

(d/b/a Santander, Banco Santander, Banco Santander Santiago, and Santander Santiago)

(Exact name of Registrant as specified in its charter)

SANTANDER-CHILE BANK

(d/b/a Santander, Banco Santander, Santander Santiago Bank, and Santander Santiago)

(Translation of Registrant's name into English)

Chile

(Jurisdiction of incorporation or organization)

Bandera 140

Santiago, Chile

Telephone: 011-562-320-2000

(Address of principal executive offices)

Robert Moreno Heimlich

Tel: 562-2320-8284, Fax: 562-696-1679, email:rmorenoh@santander.cl

Bandera 140, 19th Floor, Santiago, Chile

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares ("ADS"), each representing the right to receive 400 Shares of Common Stock without par value	New York Stock Exchange
Shares of Common Stock, without par value*	New York Stock Exchange

*Santander-Chile's shares of common stock are not listed for trading, but only in connection with the registration of the American Depositary Shares pursuant to the requirements of the New York Stock Exchange.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

none

(Title of Class)

The number of outstanding shares of each class of common stock of Banco Santander-Chile at December 31, 2013, was:

188,446,126,794 Shares of Common Stock, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

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Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

.. Item 17 .. Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes .. No x

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made statements in this Annual Report on Form 20-F that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements appear throughout this report and include statements regarding our intent, belief or current expectations regarding:

- asset growth and alternative sources of funding
 - growth of our fee-based business
 - financing plans
 - impact of competition
 - impact of regulation
- exposure to market risks including:
 - interest rate risk
 - foreign exchange risk
 - equity price risk
- projected capital expenditures
 - liquidity
- trends affecting:

our financial condition

our results of operation

The sections of this Annual Report which contain forward-looking statements include, without limitation, “Item 3. Key Information—Risk Factors,” “Item 4. Information on the Company—C. Business Overview—Competition,” “Item 5. Operations and Financial Review and Prospects,” “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings,” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk.” Our forward-looking statements also may be identified by words such as “believes,” “expects,” “anticipates,” “projects,” “intends,” “should,” “could,” “may,” “seeks,” “aim,” “combined,” “estimates,” “probability,” “risk,” “VaR,” “target,” “goal,” “objective,” and “expressions.”

You should understand that the following important factors, in addition to those discussed elsewhere in this Annual Report and in the documents which are incorporated by reference, could affect our future results and could cause those results or other outcomes to differ materially from those expressed in our forward-looking statements:

changes in capital markets in general that may affect policies or attitudes towards lending to Chile or Chilean companies;

changes in economic conditions;

the monetary and interest rate policies of Central Bank (as defined below);

inflation;

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deflation;

unemployment;

increases in defaults by our customers and in impairment losses;

decreases in deposits;

customer loss or revenue loss;

unanticipated turbulence in interest rates;

movements in foreign exchange rates;

movements in equity prices or other rates or prices;

the effects of non-linear market behavior that cannot be captured by linear statistical models, such as the VaR model we use;

changes in Chilean and foreign laws and regulations;

changes in taxes;

competition, changes in competition and pricing environments;

our inability to hedge certain risks economically;

the adequacy of loss allowances;

technological changes;

changes in consumer spending and saving habits;

changes in demographics, consumer spending, investment or saving habits;

increased costs;

unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms;

changes in, or failure to comply with, banking regulations;

acquisitions or restructurings of businesses that may not perform in accordance with our expectations;

our ability to successfully market and sell additional services to our existing customers;

disruptions in client service;

damage to our reputation;

natural disasters;

implementation of new technologies;

the Group's exposure to operational losses (e.g., failed internal or external processes, people and systems); and

an inaccurate or ineffective client segmentation model.

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You should not place undue reliance on such statements, which speak only as of the date at which they were made. The forward-looking statements contained in this report speak only as of the date of this Annual Report, and we do not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

CERTAIN TERMS AND CONVENTIONS

As used in this annual report (the “Annual Report”), “Santander-Chile”, “the Bank”, “we,” “our” and “us” or similar terms refer to Banco Santander-Chile together with its consolidated subsidiaries.

When we refer to “Santander Spain,” we refer to our parent company, Banco Santander, S.A. References to “Santander Group” or “Grupo Santander” mean the worldwide operations of the Santander Spain conglomerate, as indirectly controlled by Santander Spain and its consolidated subsidiaries, including Santander-Chile.

As used in this Annual Report, the term “billion” means one thousand million (1,000,000,000).

In this Annual Report, references to “\$”, “U.S.\$”, “U.S. dollars” and “dollars” are to United States dollars; references to “Chilean pesos,” “pesos” or “Ch\$” are to Chilean pesos; references to “CHF” or “CHF\$” are to Swiss francs; references to “CNY\$” are to Chinese yuan renminbi); and references to “UF” are to *Unidades de Fomento*. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the official Consumer Price Index (“CPI”) of the *Instituto Nacional de Estadísticas* (the Chilean National Institute of Statistics) for the previous month. See “Item 3. Key Information—A. Selected Financial Data—Exchange Rates” for information regarding exchange rates.

As used in this Annual Report, the terms “write-offs” and “charge-offs” are synonyms.

In this Annual Report, references to the Audit Committee are to the Bank’s *Comité de Directores y Auditoría*.

In this Annual Report, references to “BIS” are to the Bank for International Settlement, and references to “BIS ratio” are to the capital adequacy ratio as calculated in accordance with the Basel Capital Accord. References to the “Central Bank” are to the *Banco Central de Chile*. References to the SBIF are to the Superintendency of Banks and Financial Institutions.

Certain figures included in this Annual Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

PRESENTATION OF FINANCIAL INFORMATION

Santander-Chile is a Chilean bank and maintains its financial books and records in Chilean pesos and prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Any reference to IFRS in this document is to IFRS as issued by the IASB.

As required by local regulations, our locally filed consolidated financial statements have been prepared in accordance with Chilean accounting principles issued by the SBIF (“Chilean Bank GAAP”). Therefore, our locally filed consolidated financial statements have been adjusted to IFRS in order to comply with the requirements of the Securities and Exchange Commission (the “SEC”). Chilean Bank GAAP principles are substantially similar to IFRS but there are some exceptions. For further details and a discussion of the main differences between Chilean Bank GAAP and IFRS, see to “Item 5. Operating and Financial Review and Prospects—A. Accounting Standards Applied in 2013.”

This Annual Report contains our consolidated financial statements as of December 31, 2013, 2012 and 2011 and for the years then ended (the “Audited Financial Statements”). Such Audited Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the IASB, and have been audited by Deloitte Auditores y Consultores Limitada, independent registered public accountants. See page F-1 of the Audited Consolidated Financial

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Statements for the 2013, 2012 and 2011 report prepared by Deloitte Auditores y Consultores Limitada. The Audited Financial Statements have been prepared from accounting records maintained by the Bank and its subsidiaries.

The notes to the Audited Consolidated Financial Statements contain information in addition to that presented in the Audited Consolidated Financial Statements, which provide narrative descriptions or details of these financial statements.

We have formatted our financial information according to the classification format for banks used in Chile. We have not reclassified the line items to comply with Article 9 of Regulation S-X. Article 9 is a regulation of the SEC that contains formatting requirements for bank holding company financial statements.

Functional and Presentation Currency

The Chilean peso is the currency of the primary economic environment in which the Bank operates and the currency that influences its structure of costs and revenues, and in accordance with International Accounting Standard 21 – *The Effects of Changes in Foreign Exchange Rates* has been defined as the functional and presentation currency. Accordingly, all balances and transactions denominated in currencies other than the Chilean peso are treated as “foreign currency.”

For presentational purposes, we have translated millions of Chilean pesos (Ch\$ million) into thousands of US dollars (U.S.\$ thousand) using the rate as indicated below under “Exchange Rates,” for the financial information included in this Annual Report.

Loans

Unless otherwise specified, all references herein (except in the Audited Consolidated Financial Statements) to loans are to loans and financial leases before deduction for loan loss allowance, and, except as otherwise specified, all market share data presented herein is based on information published periodically by the SBIF. Non-performing loans include the entire principal amount and accrued but unpaid interest on loans for which either principal or interest is past-due for 90 days or more and which do not accrue interest. Restructured loans for which no payments are past-due are not ordinarily classified as non-performing loans. See “Item 5. Operating and Financial Review and Prospects—F. Selected Statistical Information—Classification of Loan Portfolio Based on the Borrower’s Payment Performance.”

Under IFRS, a loan is evaluated on each financial statement reporting date to determine whether objective evidence of impairment exists. A loan will be impaired if, and only if, objective evidence of impairment exists as a result of one or more events that occurred after the initial recognition of the loan, and such event or events have an impact on the estimated future cash flows of such loan that can be reliably estimated. It may not be possible to identify a single event that was the individual cause of the impairment.

An impairment loss relating to a loan is calculated as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the effective interest rate.

Individually significant loans are individually tested for impairment. The remaining financial assets are evaluated collectively in groups with similar credit risk characteristics.

The reversal of an impairment loss occurs only if it can be objectively related to an event occurring after the initial impairment loss was recorded. In the case of loans recorded at amortized cost, the reversal is recorded in income. See “Item 5. Operating and Financial Review and Prospects—F. Selected Statistical Information—Analysis of Loan Loss Allowances.”

Outstanding loans and the related percentages of our loan portfolio consisting of corporate and consumer loans in the section entitled “Item 4. Information on the Company—C. Business Overview” are categorized based on the nature of the borrower. Outstanding loans and related percentages of our loan portfolio consisting of corporate and consumer loans in the section entitled “Item 5. Operating and Financial Review and Prospects—F. Selected Statistical Information” are categorized in accordance with the reporting requirements of the SBIF, which are based on the type and term of loans. This disclosure is consistent with IFRS.

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Effect of Rounding

Certain figures included in this Annual Report and in the Audited Consolidated Financial Statements have been rounded up for ease of presentation. Percentage figures included in this Annual Report have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, certain percentage amounts in this Annual Report may vary from those obtained by performing the same calculations using the figures in the Audited Consolidated Financial Statements. Certain other amounts that appear in this Annual Report may not sum due to rounding.

Economic and Market Data

In this Annual Report, unless otherwise indicated, all macroeconomic data related to the Chilean economy is based on information published by the Central Bank, and all market share and other data related to the Chilean financial system is based on information published by the SBIF and our analysis of such information. Information regarding the consolidated risk index of the Chilean financial system as a whole is not available.

Exchange Rates

This Annual Report contains translations of certain Chilean peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Chilean peso amounts actually represent such U.S. dollar amounts, were converted from U.S. dollars at the rate indicated in preparing the Audited Consolidated Financial Statements, could be converted into U.S. dollars at the rate indicated, were converted or will be converted at all.

Unless otherwise indicated, all U.S. dollar amounts at any year end, for any period have been translated from Chilean pesos based on the interbank market rate published by Reuters at 1:30 pm on the last business day of the period. On December 31, 2012 and 2013, the exchange rate in the Informal Exchange Market as published by Reuters at 1:30 pm on these days was Ch\$478.85 and Ch\$524.20 respectively, or 0.05% less and 0.08% more, respectively, than the published observed exchange rate for such date of Ch\$478.60 and Ch\$523.76, respectively, per U.S.\$1.00. The Federal Reserve Bank of New York does not report a noon buying rate for the Chilean peso. For more information on the observed exchange rate, see “Item 3. Key Information—A. Selected Financial Data—Exchange Rates” of the Annual Report.

As of December 31, 2012 and 2013, one UF was equivalent to Ch\$ 22,840.75 and Ch\$ 23,309.56 respectively. The U.S. dollar equivalent of one UF was U.S.\$44.50 as of December 31, 2013, using the observed exchange rate reported by the Central Bank as of December 31, 2013, of Ch\$ 523.76 per U.S.\$1.00.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following table presents selected historical financial information for Santander-Chile as of the dates and for each of the periods indicated. Financial information for Santander-Chile as of and for the years ended December 31, 2013, 2012, 2011, 2010, and 2009 has been derived from our audited consolidated financial statements prepared in accordance with IFRS. These consolidated financial statements differ in some respects from our locally filed financial statements at and for the years ended December 31, 2013, 2012, 2011, 2010, and 2009 prepared in accordance with Chilean Bank GAAP.

The following table should be read in conjunction with, and is qualified in its entirety by reference to, our Audited Consolidated Financial Statements appearing elsewhere in this Annual Report.

	As of and for the years ended December 31,					
	2013	2013	2012	2011	2010	2009
	In U.S.\$	In Ch\$ millions (2)				
	thousands (1)					

**CONSOLIDATED STATEMENT OF
INCOME DATA (IFRS)**

Net interest income	2,054,106	1,076,762	1,042,734	972,300	939,719	856,516
Provision for loan losses	(708,626)	(371,462)	(403,692)	(316,137)	(253,915)	(333,145)
Net fee and commission income	438,451	229,836	270,572	277,836	263,582	254,130
Operating costs (3)	(1,064,199)	(557,853)	(539,742)	(500,447)	(451,936)	(407,894)
Other income, net (4)	308,423	161,676	36,034	50,878	95,365	155,927
Income before tax	1,028,155	538,959	405,906	484,430	592,815	525,534
Income tax expense	(180,332)	(94,530)	(44,473)	(77,308)	(85,343)	(88,924)
Net income for the year	847,823	444,429	361,433	407,122	507,472	436,610
Net income attributable to:						
Bank shareholders	843,750	442,294	356,808	402,191	505,393	431,557
Non-controlling interests	4,073	2,135	4,625	4,931	2,079	5,053
Net income attributable to Bank shareholders per share	4.48	2.35	1.89	2.13	2.68	2.29
Net income attributable to Bank shareholders per ADS (5)	1.79	938.83	757.37	2,217.48	2,786.48	2,379.39
Weighted-average shares outstanding (in millions)	188,446.1	188,446.1	188,446.1	188,446.1	188,446.1	188,446.1
Weighted-average ADS outstanding (in millions) (5)	471.1	471.1	471.1	181.4	181.4	181.4

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION DATA (IFRS)**

Cash and deposits in banks	2,998,493	1,571,810	1,250,414	2,793,701	1,762,198	2,043,458
Financial investments (6)	3,826,839	2,006,029	2,171,438	2,084,002	2,024,635	2,642,649
Loans before allowance from loan losses	40,176,958	21,060,761	18,966,652	17,434,782	15,727,282	13,751,276
Loan loss allowance	(1,173,089)	(614,933)	(550,048)	(488,468)	(425,447)	(349,527)
Financial derivative contracts (assets)	2,850,092	1,494,018	1,293,212	1,601,896	1,624,378	1,393,878
Other assets (7)	3,060,934	1,604,542	1,627,434	1,241,979	1,377,668	1,291,141
Total assets	51,740,227	27,122,227	24,759,102	24,667,892	22,090,714	20,772,875
Deposits (8)	29,179,769	15,296,035	14,082,232	13,334,929	11,495,191	10,708,791
Other interest bearing liabilities (9)	13,887,424	7,279,788	6,506,020	7,264,311	6,235,959	6,232,982
Financial derivative contracts (liabilities)	2,464,297	1,291,785	1,146,161	1,292,402	1,643,979	1,348,906
Total equity (10)	4,525,860	2,372,456	2,196,501	2,093,280	1,937,977	1,689,903
Equity attributable to Bank shareholders	4,471,484	2,343,952	2,162,236	2,059,479	1,906,168	1,660,104

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	As of and for the years ended December 31,				
	2013	2012	2011	2010	2009
CONSOLIDATED RATIOS					
(IFRS)					
Profitability and performance:					
Net interest margin (11)	4.6%	4.8%	4.8%	5.4%	5.3%
Return on average total assets (12)	1.6%	1.4%	1.7%	2.4%	2.2%
Return on average equity (13)	18.9%	16.5%	20.4%	29.0%	27.3%
Capital:					
Average equity as a percentage of average total assets (14)	8.7%	8.7%	8.3%	8.4%	8.0%
Total liabilities as a multiple of equity (15)	10.4	10.3	10.8	10.4	11.3
Credit Quality:					
Non-performing loans as a percentage of total loans (16)	2.9%	3.2%	2.9%	2.7%	3.0%
Allowance for loan losses as percentage of total loans	2.9%	2.9%	2.8%	2.7%	2.5%
Operating Ratios:					
Operating expenses /operating revenue (17)	40.2%	42.5%	41.4%	37.0%	34.2%
Operating expenses /average total assets	2.3%	2.4%	2.3%	2.2%	2.2%
OTHER DATA					
CPI Inflation Rate (18)	3.0%	1.5%	4.4%	3.0%	-1.4%
Revaluation (devaluation) rate (Ch\$/U.S.\$) at year end (18)	9.4%	-8.2%	11.3%	-7.5%	-19.5%
Number of employees at period end	11,516	11,713	11,566	11,001	11,118
Number of branches and offices at period end					