

BANK OF CHILE
Form 20-F
April 29, 2011
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As filed with the Securities and Exchange Commission on April 29, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

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

For the fiscal year ended December 31, 2010

Commission file number 001-15266

BANCO DE CHILE

(Exact name of Registrant as specified in its charter)

BANK OF CHILE

(Translation of Registrant's name into English)

REPUBLIC OF CHILE

(Jurisdiction of incorporation or organization)

Banco de Chile

Paseo Ahumada 251

Santiago, Chile

(562) 637-1111

(Address of principal executive offices)

Pedro Samhan E.

Banco de Chile

Paseo Ahumada 251

Santiago, Chile

Telephone: (562) 653-5150

Facsimile: (562) 653-5156

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

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, each representing 600 shares of common stock, without nominal (par) value (ADSs)	New York Stock Exchange

Shares of common stock, without nominal (par) value	New York Stock Exchange
Securities registered or to be registered pursuant to Section 12(g) of the Act:	(for listing purposes only)

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None

(Title of Class)

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

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Shares of common stock: 82,551,699,423

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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

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 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 IFRS 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

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THE MERGER

On January 1, 2008, Banco de Chile merged with Citibank Chile in a transaction in which Banco de Chile was the surviving corporate entity. As used in this annual report, unless the context otherwise requires, references to Banco de Chile relating to any date or period prior to January 1, 2008 (the effective date of the merger) are to Banco de Chile as it existed prior to the consummation of the merger, and such references relating to any date or period on or after January 1, 2008 are to Banco de Chile after the consummation of the merger.

PRESENTATION OF FINANCIAL INFORMATION

We prepare our audited consolidated financial statements in Chilean pesos and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). References in this annual report to IFRS mean IFRS as issued by the IASB.

Until and including our consolidated financial statements included in our annual report on Form 20-F for the year ended December 31, 2008, we prepared our audited consolidated financial statements in accordance with generally accepted accounting principles in Chile as supplemented by the applicable rules of the *Superintendencia de Bancos e Instituciones Financieras de Chile* (the Superintendency of Banks) (Chilean GAAP), with reconciliations to generally accepted accounting principles in the United States (U.S. GAAP). As required by IFRS 1 *First Time Adoption of International Financial Reporting Standards*, our financial position as of January 1, 2008 and December 31, 2008 and our results of operations for the year ended December 31, 2008 have been restated in accordance with IFRS 1 for comparative purposes. Reconciliations and description of the transition to IFRS, and the effects on assets, liabilities, equity, net income and cash flows are presented in Note 5 to our audited consolidated financial statements included in our annual report on Form 20-F for the year ended December 31, 2009 filed with the Securities and Exchange Commission on June 29, 2010. Unless otherwise indicated, the financial information included in this annual report with respect to 2008, 2009 and 2010 has been derived from financial statements that have been prepared in accordance with IFRS. See Note 2(a) to our audited consolidated financial statements as of and for the year ended December 31, 2010 appearing elsewhere in this annual report. IFRS differs in certain significant respects from Chilean GAAP. As a result, our financial information presented under IFRS is not directly comparable to our financial information presented under Chilean GAAP. Accordingly, readers should avoid such comparison.

Following our adoption of IFRS, we are no longer required to reconcile our financial statements to U.S. GAAP.

In this annual report, references to \$, U.S.\$, U.S. dollars and dollars are to United States dollars, references to pesos or Ch\$ are to Chilean pesos (see Note 2(f) to our audited consolidated financial statements as of and for the year ended December 31, 2010 appearing elsewhere in this annual report), and references to UF are to *Unidades de Fomento*. The UF is an inflation-indexed Chilean monetary unit of account with a value in Chilean pesos that is linked to and adjusted daily to reflect changes in the Consumer Price Index of the *Instituto Nacional de Estadísticas* (the Chilean National Statistics Institute). As of December 31, 2010, one UF equaled Ch\$21,455.55.

This annual report contains translations of certain Chilean peso amounts into U.S. dollars at specified rates solely for your convenience. 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 our audited consolidated financial statements as of and for the year ended December 31, 2010 or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from Chilean pesos based on the observed exchange rate, as described in Item 3. Key Information Selected Financial Data Exchange Rates, reported by the *Banco Central de Chile*, or the Central Bank of Chile (the Central Bank), for December 30, 2010 (the latest practicable date, as December 31, 2010 was a banking holiday in Chile). The observed exchange rate on April 25, 2011 was Ch\$467.77 = U.S.\$1.00. The rate reported by the Central Bank is based on the rate for the prior business day in Chile and is the exchange rate specified by the Superintendency of Banks to be used by Chilean banks in the preparation of their financial statements. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.

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Unless otherwise specified, all references in this annual report to total loans are to loans to customers before deduction of allowances for loan losses, and they do not include loans to banks or contingent loans. Past-due loans include, with respect to any loan, the portion of principal or interest that is 90 or more days overdue, and do not include the installments of such loan that are not overdue or that are overdue for less than 90 days, unless legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan, in which case the entire loan is considered past due within 90 days of the beginning of such proceedings. See Item 4. Information on the Company Selected Statistical Information Classification of Loan Portfolio Based on the Borrower's Payment Performance.

According to Chilean regulations and for the purposes of this annual report, regulatory capital (Regulatory Capital) consists of:

basic capital, which is composed of our paid-in capital, reserves and retained earnings, excluding capital attributable to subsidiaries and foreign branches (Basic Capital); and

supplementary capital, which is composed of the following: (i) our subordinated bonds, considered at issue price (reduced by 20.0% for each year during the period commencing six years prior to maturity), but not exceeding 50.0% of our Basic Capital; plus (ii) our voluntary allowances for loan losses (up to 1.25% of risk-weighted assets to the extent voluntary allowances exceed those that banks are required to maintain by law or regulation); minus (iii) our goodwill and unconsolidated investments in companies.

Certain figures included in this annual report and in our audited consolidated financial statements as of and for the year ended December 31, 2010 have been rounded 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, percentage amounts in this annual report may vary slightly from those obtained by performing the same calculations using the figures in our audited consolidated financial statements as of and for the year ended December 31, 2010. Certain other amounts that appear in this annual report may similarly not sum due to rounding.

Inflation figures are those reported by the Chilean National Statistics Institute, unless otherwise stated herein or required by the context.

MACRO-ECONOMIC AND MARKET DATA

In this annual report, all macro-economic data relating to the Chilean economy is based on information published by the Central Bank. All market share data, financial indicators and other data relating to the Chilean financial system are based on information published periodically by the Superintendency of Banks, which is published under Chilean GAAP and prepared on a consolidated basis.

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

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The following tables present historical financial information about us as of the dates and for each of the periods indicated. The following tables should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements as of and for the year ended December 31, 2010 appearing elsewhere in this annual report. The financial information as of January 1, 2008 and for the years ended December 31, 2008, 2009 and 2010 is presented under IFRS.

Our audited consolidated financial statements have been prepared in accordance with IFRS for the years ended December 31, 2008, 2009 and 2010. In addition, our consolidated statement of financial position data as of January 1, 2008 has also been prepared in accordance with IFRS. Prior to January 1, 2008, we prepared our audited consolidated financial statements in accordance with Chilean GAAP. Reconciliations and description of the transition to IFRS, and the effects on equity and net income are presented in Note 5 to our audited consolidated financial statements included in our annual report on Form 20-F for the year ended December 31, 2009 filed with the Securities and Exchange Commission on June 29, 2010.

	2008	For the Year Ended December 31,		2010
		(in millions of Ch\$,		2010
		except share and per share data)		(in thousands
				of U.S.\$) ⁽¹⁾
IFRS:				
CONSOLIDATED STATEMENT OF INCOME DATA				
Interest revenue	Ch\$ 1,659,350	Ch\$ 900,407	Ch\$ 1,092,003	U.S.\$ 2,331,496
Interest expense	(885,263)	(222,883)	(324,506)	(692,841)
Net interest income	774,087	677,524	767,497	1,638,655
Net fees and commissions income	234,361	251,855	292,262	623,999
Net financial operating income	384,836	(138,179)	17,292	36,920
Foreign exchange transactions, net	(353,012)	220,999	63,762	136,136
Other operating income	30,937	22,190	23,584	50,353
Provisions for loan losses	(149,374)	(241,345)	(157,651)	(336,595)
Total operating expenses	(563,491)	(491,749)	(544,227)	(1,161,959)
Income attributable to associates	3,564	840	1,609	3,435
Income before income taxes	361,908	302,135	464,128	990,944
Income taxes	(35,313)	(40,389)	(46,513)	(99,309)
Net income from continued operations, net of taxes	326,595	261,746	417,615	891,635
Net income from discontinued operations, net of taxes	38,459			
Net income for the year	Ch\$ 365,054	Ch\$ 261,746	Ch\$ 417,615	U.S.\$ 891,635
Attributable to:				
Equity holders of the parent	365,052	261,744	417,614	891,633
Non-controlling interest	2	2	1	2
Earnings per share ⁽²⁾	4.52	3.18	5.06	0.011
Earnings per ADS	2,708.12	1,902.42	3,035.30	6.48
Dividends per share ⁽³⁾	3.36	2.72	3.50	0.007
Weighted average number of shares (in millions)	80,746.98	82,185.28	82,551.70	

(See footnotes below)

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	As of December 31,			
	2008	2009	2010	2010
		(in millions of Ch\$, except share and per share data)		(in thousands of U.S.\$) ⁽¹⁾
IFRS:				
CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA				
Cash and due from banks	Ch\$ 751,223	Ch\$ 727,553	Ch\$ 772,329	U.S.\$ 1,648,972
Transactions in the course of collection	807,625	526,051	429,756	917,557
Financial assets held-for-trading	626,864	351,590	279,765	597,316
Receivables from repurchase agreements and security borrowing	75,519	79,401	82,787	176,756
Derivative instruments	902,351	565,986	488,354	1,042,667
Loans and advances to banks	321,992	448,981	349,588	746,393
Loans to customers, net	13,460,464	12,879,155	14,029,968	29,954,882
Financial assets available-for-sale	1,073,552	1,267,774	1,157,105	2,470,493
Investments in other companies	11,293	10,494	11,072	23,639
Intangible assets	94,324	88,182	87,276	186,340
Property and equipment	211,379	205,847	205,539	438,839
Investment properties	18,397	17,840	17,459	37,276
Current tax assets			3,363	7,180
Deferred tax assets, net	21,868	49,733	57,678	123,151
Other assets	251,487	282,872	304,425	649,967
Total assets	Ch\$ 18,628,338	Ch\$ 17,501,459	Ch\$ 18,276,464	U.S.\$ 39,021,428
Current accounts and other demand deposits	3,007,261	3,718,076	4,446,181	9,492,882
Transactions in the course of payment	479,789			