

BANK OF CHILE
Form 20-F
June 29, 2010
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As filed with the Securities and Exchange Commission on June 29, 2010

**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, 2009

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)

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Banco de Chile

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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

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. These are our first annual consolidated financial statements prepared in accordance with IFRS.

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 Chilean Superintendency of Banks and Financial Institutions (Chilean GAAP), with reconciliations to U.S. GAAP. As required by IFRS 1 *First Time Adoption of International Financial Reporting Standards* the Bank's financial position and results of operations for the year ended December 31, 2008 have been restated in accordance with IFRS. 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.

Unless otherwise indicated, the financial information included in this annual report with respect to 2008 and 2009 has been derived from financial statements that have been prepared in accordance with IFRS. 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 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*, or the Chilean National Statistics Institute. As of December 31, 2009, one UF equaled U.S.\$41.35 and Ch\$20,942.88. See Note 2(f) to our audited consolidated financial statements. Percentages and certain dollar and peso amounts contained in this annual report have been rounded for ease of presentation.

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 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, 2009 (the latest practicable date, as December 31, 2009 was a banking holiday in Chile). The observed exchange rate on June 18, 2010 was Ch\$530.36 = 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 Chilean Superintendency of Banks and Financial Institutions (the Chilean 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. In addition, all market share data presented in this annual report are based on information published periodically by the Chilean Superintendency of Banks, which is published under Chilean GAAP. Non-performing loans include loans as to which either principal or interest is overdue. Past-due loans include, with respect to any loan, the portion of principal or interest that is 90 or more days overdue. See Item 4. Information on the Company Selected Statistical Information Classification of Loan Portfolio Based on the Borrower's Payment Performance.

Certain figures included in this annual report and in our audited consolidated financial statements 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. Certain other amounts that appear in this annual report may similarly not sum due to rounding.

This annual report considers that regulatory capital (Regulatory Capital) consists of:

basic capital, which is composed of the Bank's 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:

- the Bank's subordinated bonds, considered at issue price (reduced 20.0% for each year during the period commencing six years prior to maturity), but not exceeding 50.0% of its Basic Capital; *plus*
- the Bank's 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*
- the Bank's goodwill and the unconsolidated investments in companies.

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 and other data relating to the Chilean financial system are based on information published by the Chilean Superintendency of Banks.

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 appearing elsewhere in this annual report. The financial information as of January 1, 2008 and for the years ended December 31, 2008 and 2009 is presented under IFRS.

Our audited consolidated financial statements have been prepared in accordance with IFRS for the years ended December 31, 2008 and 2009. 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 the bank prepared its 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.

	At or for the year ended December 31,		
	2008	2009	2009
	(in millions of Ch\$, except share data)		(in thousands of U.S.\$)
IFRS:			
CONSOLIDATED STATEMENT OF INCOME DATA			
Interest revenue	Ch\$ 1,659,350	Ch\$ 900,407	U.S.\$ 1,777,949
Interest expense	(893,081)	(232,028)	(458,164)
Net interest income	766,269	668,379	1,319,785
Net fees and commissions income	235,189	251,216	496,052
Net financial operating income	384,836	(138,179)	(272,849)
Foreign exchange transactions, net	(353,012)	220,999	436,386
Other operating income	30,937	22,190	43,816
Provisions for loan losses	(149,374)	(241,345)	(476,561)
Total operating expenses	(556,501)	(481,965)	(951,690)
Income attributable to associates	3,564	840	1,659
Income before income taxes	361,908	302,135	596,598
Income taxes	(35,313)	(40,389)	(79,753)
Net income from continued operations, net of taxes	326,595	261,746	516,845
Net income from discontinued operations, net of taxes	38,459		
Net income for the year	365,054	261,746	516,845
Attributable to:			
Equity holders of the parent	365,052	261,744	516,841
Non-controlling interest	2	2	4
Earnings per share ⁽¹⁾	4.52	3.18	0.006
Dividends per share ⁽²⁾	3.37	2.72	0.005
Weighted average number of shares (in millions)	80,746.98	82,185.28	

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	As of January 1, 2008		At or for the year ended December 31, 2008		2009		2009 (in thousands of U.S.\$)
	(in millions of Ch\$, except share data)						
IFRS:							
CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA							
Cash and due from banks	Ch\$	331,517	Ch\$	751,223	Ch\$	727,553	U.S.\$ 1,436,631
Transactions in the course of collection		542,579		807,625		526,051	1,038,744
Financial assets held-for-trading		928,634		626,864		351,590	694,252
Receivables from repurchase agreements and security borrowing		69,130		75,519		79,401	156,786
Derivative instruments		81,048		902,351		565,986	1,117,600
Loans and advances to banks		278,591		321,992		448,981	886,561
Loans to customers, net		10,424,603		13,460,464		12,879,155	25,431,264
Financial assets available-for-sale		1,062		1,073,552		1,267,774	2,503,355
Investments in other companies		7,942		11,293		10,494	20,722
Intangible assets		25,520		94,324		88,182	174,125
Property and equipment		199,403		211,379		205,847	406,467
Investment properties		16,459		18,397		17,840	35,227
Current tax assets							
Deferred tax assets, net		16,033		21,868		49,733	98,203
Assets classified as held-for-sale		413,062					
Other assets		449,798		251,487		282,872	558,561
Total assets		13,785,381		18,628,338		17,501,459	34,558,498
Current accounts and other demand deposits		2,285,357		3,007,261		3,718,076	7,341,737
Transactions in the course of payment		308,623		479,789		325,056	641,858
Payables from repurchase agreements and security lending		355,183		420,658		308,028	608,234
Saving accounts and time deposits		6,393,113		8,472,590		7,427,481	14,666,353
Derivative instruments		120,162		863,514		538,240	1,062,812
Borrowings from financial institutions		857,329		1,498,549		1,368,226	2,701,708
Debt issued		1,615,927		1,900,087		1,587,998	3,135,671
Other financial obligations		63,041		93,708		176,150	347,827
Currents tax liabilities		5,922		9,053		39,018	77,045
Deferred tax liabilities, net							
Provisions		79,090		121,215		88,607	174,964
Employee benefits		34,991		45,912		43,202	85,307
Liabilities classified as held-for-sale		385,408					
Other liabilities		228,656		210,684		280,392	553,668
Total liabilities		12,732,802		17,123,020		15,900,474	31,397,184
Total equity	Ch\$	1,052,579	Ch\$	1,505,318	Ch\$	1,600,985	U.S.\$ 3,161,314

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	As of January 1, 2008	At or for the year ended December 31, 2008 2009	
IFRS:			