BANK OF CHILE
Form 6-K
February 01, 2012

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of February, 2012

Commission File Number 001-15266

BANK OF CHILE
(Translation of registrant's name into English)

Ahumada 251
Santiago, Chile
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F___X___ Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes____ No___X___

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- ________

BANCO DE CHILE
REPORT ON FORM 6-K

Attached is a Press Release issued by Banco de Chile ("the Bank") on February 1st, 2012, regarding its financial statements for the fourth quarter and the year ended December 31, 2011.

Santiago, Chile, February 1st, 2012, Banco de Chile (NYSE: BCH), a full service Chilean financial institution, market leader in a wide variety of credit and non-credit products and services across all segments of the Chilean financial market, today announced its results for the fourth quarter and the year ended December 31, 2011.

Figures are expressed in nominal terms, unless otherwise stated. Also, certain figures included in this report have been rounded for ease of presentation, while percentage figures have not in all cases been calculated on the basis of such rounded figures, but on the basis of such figures prior to rounding.

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HIGHLIGHTS

- **The Bank ended 2011 as the most profitable bank in Chile, posting a ROAE of 23.7%. This is result of a 17.1% growth in EBIT and a record net income of Ch$429 billion.**

- **Banco de Chile became the market leader in total loans, reaching a 19.8% stake in 2011 by adding 59 bp YoY.**

- **Banco de Chile entered the MSCI Emerging Market Index in December, as a result of its free-float, performance and trading volumes.**

- **The Bank registered a debt shelf of US$720 million and placed a bond of US$110 million in Mexico during the 4Q11.**

Arturo Tagle, CEO: *'2011 was a spectacular year for us that included challenges, but also significant achievements. In fact, we reached a record net income of Ch$429 billion that enabled us to post a ROAE of 23.7% - the highest within the Chilean industry - in spite of a successful US$445 million capital increase that had an excellent reception from local and foreign investors. This capitalization supported an outstanding 21.0% YoY growth in total loans, equivalent to ~Ch$3,000 billion that allowed us to achieve the market leadership in total loans with a 19.8% market share by gaining 59 bp. market share in 2011. Besides, the equity offering allowed us to increase our free-float from 12% to 15%, which triggered our entry to the MSCI Index. All of these attainments are the consequence of our solid and continuously improving business strategy that includes attractive value offerings, a prudent risk approach, a competitive funding structure and a significant business scale. Thus, we are very proud of our performance in 2011, while we believe we count on a solid basis for taking advantage of future business opportunities'.*

Alejandro Herrera, Commercial Division Manager: *'The year was full of achievements. The business scale growth was spurred by initiatives to expand our retail business and ensure the service quality. Thus, worth noting is the market share increase in residential mortgage loans, from 14.9% to 16.4%, as a result of several strategies intended to gain presence in this product. Similarly, we improved our approach to SMEs by granting the highest number of government-backed loans for SMEs in Chile, with ~14,000 credits. Also, we aimed to raise the presence in credit cards for individuals. So, in 2011 we added 99,000 new credit card customers, improved our reward programs, and developed the "Banco de Chile | Entel" credit card alliance. Similarly, we incorporated roughly 90,000 new checking account customers. In addition, we added 25 new locations to our distribution network that became one of the largest in the local industry with 441 branches in 2011, while we improved our non-physical channels by creating a new "Mobile Banking System" that accounts for 58,000 active customers and by enhancing our websites'.*

Sergio Karlezi, Treasurer: *'We are ending an important year in terms of funding diversification. In 2011 we took advantage of the market conditions in Chile and abroad, obtaining very attractive terms for our debt placements. Thus, we placed more than US$1,400 million in senior bonds within the local market at very attractive spreads over comparable Central Bank instruments. Also, we entered into a syndicated loan from 15 Asian financial institutions of ~US$200 million, while at the end of the year we carried out a shelf registration in Mexico for issuing senior bonds up to US$720 million. By December 2011 we had placed ~US$110 million of this shelf debt. These actions enabled us to keep a well-diversified funding structure and a low financing cost, some of our main competitive advantages'.*

FINANCIAL SNAPSHOT

Income Statement *(Millions of Ch$)*			
Net financial income(2)	852,936	**890,274**	4.4%
Net Fees and Commissions	292,262	**308,773**	5.6%
Other operating income	23,584	**24,735**	4.9%
Total Operating Revenues	1,168,782	**1,223,782**	4.7%
Provisions for loan losses	(208,590)	**(124,840)**	(40.2)%
Operating expenses	(545,079)	**(613,848)**	12.6%
Net income (3)	378,529	**428,805**	13.3%

Earnings per Share

Net income per share (Ch$)	4.59	**4.93**	7.6%
Book value per share (Ch$)	17.01	**20.00**	17.6%
Shares Outstanding (Millions)	82,551.70	**86,942.51**	5.3%
Balance Sheet *(Millions of Ch$)*			
Loans to customers	14,365,832	**17,377,793**	21.0%
Total assets	18,235,376	**21,740,947**	19.2%
Equity	1,404,127	**1,739,175**	23.9%
Profitability Ratios			
Return on average assets (ROAA)	2.2%	**2.1%**	
Return on average equity (ROAE)(4)	24.7%	**23.7%**	
Net Financial Margin(5)	5.3%	**4.8%**	
Efficiency ratio	46.6%	**50.2%**	
Credit Quality Ratios			
Total Past Due / Total Loans	1.2%	**1.0%**	
Allowances / Total loans	2.6%	**2.2%**	
Allowances / Total Past Due	219.1%	**214.9%**	
Provisions / Avg. Loans	1.5%	**0.8%**	
Capital Adequacy Ratios			
Total Capital / Risk Adj. Assets	13.4%	**12.9%**	

(1) See pages 15 to 18.
(2) Net interest income, foreign exchange transactions and net financial operating income.
(3) Net Income attributable to Bank's owners (adjusted by minority interest).
(4) ROAE excludes provisions for minimum dividends.
(5) Net financial income divided by average interest earning assets.

DOMESTIC ECONOMY

¥ According to the last figures released by the Chilean Central Bank, local economy should have grown by 6.2% in 2011. On a quarterly basis, in the 4Q11 the GDP continued decelerating, posting a 3.8% YoY growth as compared to the 4.8% recorded in the 3Q11.

¥ The slowdown observed during the second half of 2011 was mainly associated with lower activity in Mining and Manufacturing sectors and, to a lesser extent, a tempered growth in sectors related to the local demand.

¥ The private consumption, which is the main component of the aggregate demand, showed a higher dynamism throughout the year, supported by lower unemployment rates, higher real salaries and greater demand for credits.

¥ As for inflation, during the 4Q11 it exceeded the market expectations, boosting the CPI that closed 2011 with a 4.4% YoY variation, which is above the Central Bank’s long-term goal range (2.0% - 4.0%). The inflation increase observed during the 4Q11 was mainly steered by higher prices of food and transportation.

¥ Finally, in light of the rising trend shown by inflation during 2011, the Chilean Central Bank maintained the monetary policy interest at 5.25%, as from June 2011. However, due to the global and local economic slowdown observed at the end of 2011, the Central Bank decided to decrease the monetary policy rate to 5.00% on January 12, 2012.

KEY FIGURES

GDP & Consumption

(12 months % change)

Inflation & Monetary Policy Rate

(12m % change and %)

BANKING INDUSTRY

¥ During the 4Q11, the Chilean banking system reached a net income of Ch$405 billion that represents an 8.3% increase as compared to the 3Q11 and a 32.0% rise as compared to the 4Q10. On a yearly basis, the industry posted earnings of Ch$1,712 billion in 2011, which entails an 8.1% YoY increase.

¥ The local industry’s net income increased by Ch$128 billion in 2011, boosted by an annual rise of Ch$269 billion in operating revenues that was partly offset by Ch$45 billion of further provisions for loan losses, an income tax that grew by Ch$55 billion and to a lesser extent, due to an increase of Ch$46 billion in operating expenses.

¥ As for profitability, the industry attained a return on average equity (ROAE) of 17.7% in 2011, which is 47 bp. below the 2010's figure. This was mostly the result of capital increases and net income retentions carried out by some banks in order to bolster their capital base to take advantage of the expansion in commercial activity observed in 2011. This effect more than offset the net income YoY rise.

¥ Worth noting is the significant growth of 17.3% posted by the industry's total loans, spurred by double-digit growth rates in commercial (+19.4%), consumer (+18.0%) and residential mortgage loans (+12.3%)

¥ Banco de Chile was one of the banks that displayed the strongest growth in business activity, expanding its total loans by 21% (or Ch$3,000 billion) on a YoY basis, well above the growth posted by other main players. As a result, Banco de Chile raised its market share in total loans by 59 bp (the highest increase among the main competitors), which enabled the Bank to reach the market leadership in total loans with a stake of 19.8% in 2011, reaffirming the effectiveness of its commercial initiatives.

KEY FIGURES

Industry's Net Income and ROAE

(Bn. Ch$ and % as of Dec. 31, 2011)

Market Share Gain in Loans

(Basis points as of Dec. 31, 2011)

19.8% **7.7%** **12.9%** **7.0%** **19.7%**

NET INCOME: 2011 – Year End

On a yearly basis, our net income amounted to Ch$429 billion in 2011, which entails a 13.3% rise as compared to a year earlier, whereas our EBIT posted a 17.1% YoY. The annual earnings increase was mostly fostered by:

¥ The outstanding growth in the activity of our commercial business units that allowed us to gain significant market share in all of the main credit products and increase our operating scale.

¥ A greater contribution from our UF net asset position within a context of higher inflation.

¥ The higher income from our non-interest bearing liabilities as a result of specific market factors and our leading market position.

¥ A business environment (especially during the 1H10) featured by a lower credit risk that was supplemented with comprehensive credit risk models and effective collection procedures.

¥ The higher activity in certain fee based products and services, such as insurance brokerage, credit and debit cards, ATMs, as in mutual funds management.

The above enabled us to more than offset non-recurring charges related to the collective bargaining processes carried out in 2011, further countercyclical provisions and the income tax rise due to a greater EBIT and a higher statutory corporate tax rate.

As a result, we became the most profitable bank in Chile, with a ROAE of 23.7% that clearly surpassed the 17.7% recorded by the local industry. Also, we were able to make profitable our recent capital increase, while we held a prudent risk management policy with the healthiest loan portfolio in the local financial system.

NET INCOME: 4th Quarter 2011

During the 4Q11 and despite we set up countercyclical provisions by ~Ch$24 billion, our net income amounted to Ch$100 billion, that translated into a 42.5% rise as compared to the 4Q10. Our good performance during the 4Q11 mostly relies on:

¥ The YoY growth in total loans for all of the credit products.

¥ The higher income from financing a relevant part of our interest earning assets with non-interest bearing liabilities.

¥ The higher inflation in the 4Q11 as compared to the 4Q10 that prompted a higher contribution from our UF net asset position.

¥ Lower provisions for loan losses, mainly explained by ~Ch$22 billion we charged as contingency provisions in the 4Q10 to recognize the effect of new provisioning rules – in effect as from January 1st, 2011 – for individually evaluated loan portfolios.

The above was partly offset by greater operating expenses and a lower income from fees and commissions, due to a lower business activity in most of our subsidiaries.

Also, worth noting is that in the 4Q11 we sold a non-performing corporate loan portfolio that generated a net gain of Ch$3 billion, due to the release of allowances for loan losses by ~Ch$45 billion that more than offset the recognition of a ~Ch$42 billion loss associated to the difference between market and book value (before netting the allowances for loan losses).

As a result of the aforesaid, we reached a 20.1% ROAE in the 4Q11 that favourably compares to the 15.8% recorded by the Chilean financial system for the same period.

KEY YEARLY FIGURES

(In billions of Ch$, except for %)

Notes:

1) ROAE excludes provisions for minimum dividends.

KEY QUARTERLY FIGURES

(In billions of Ch$, except for %)

Notes:

1) ROAE excludes provisions for minimum dividends.

OPERATING REVENUES: 2011 – Year End

Our total operating revenues accounted for Ch$1,224 billion in 2011, which is 4.7% above the last year's figure. The growth posted in our revenues was significantly influenced by core business activities, such as the expansion of our lending activity, as well as a higher usage of fee based products and services. Therefore, the main issues that explain this YoY variance are as follows:

¥ A 13.2% YoY rise in net interest income, mainly due to: (i) the sharp increase in nominal interest rates, with a monetary policy interest rate that averaged 4.7% in the 2011 as compared to the 1.4% in 2010, raising the income from our non-interest bearing liabilities as they replace more expensive funding sources, (ii) the 21.0% YoY growth in total loans that counterbalanced the drop in lending spreads, and (iii) an inflation of 4.4% in 2011 that translated into a 1.6% further UF variation in 2011 as compared to 2010, positively impacting our UF net asset position.

¥ Fees and commissions that posted a 5.6% YoY increase, which endorses themselves as a stable income generating source. The rise is mainly associated with a higher commercial activity in insurance brokerage, as well as credit and debit cards, in line with our initiatives intended to reinforce these payment channels.

¥ A lower net financial operating and FX income fostered by the recognition of a ~Ch$42 billion loss due to the sale of a non-performing corporate loan portfolio in the 4Q11. It is important to mention that this loss was more than offset by the release of related allowances by an amount of Ch$45 billion.

Despite the growth posted by our net interest income and net financial income, the greater rise in our interest earning assets – due to the increase in loans – prompted a decrease in our net financial margin from 5.26% in 2010 to 4.80% in 2011.

OPERATING REVENUES: 4th Quarter 2011

On a quarterly basis, our total operating revenues posted a 4.7% YoY decrease, accounting for Ch$284 billion in the 4Q11 as compared to the Ch$298 billion recorded in the 4Q10. This YoY variance was mainly steered by:

¥ A net loss in financial operating and FX income, mainly related to the recognition of a ~Ch$42 billion loss related to the sale of a non-performing corporate loan portfolio in the 4Q11.

¥ A 7.3% YoY decline in fees and commissions income, associated with a lower activity in mutual funds, securities brokerage and financial advisory services, in light of the lower liquidity observed in the local market as compared to 2010, especially in the 2H11.

The above was partly offset by:

¥ The significant YoY growth in total loans that counterbalanced the lower lending spreads.

¥ Higher nominal interest rates – spurred by the sharp increase in the monetary policy rate – that positively impacted the income from our current accounts and demand deposits balances.

¥ The higher inflation in the 4Q11 with respect to the 4Q10 that led the UF to increase 0.7% above the 2010's variation, benefiting our UF net asset position.

As a result and also due to the increase in total loans, the net financial margin decreased from 5.18% in the 4Q10 to 4.33% in the 4Q11, whereas the NIM posted a slight increase.

KEY YEARLY FIGURES

(In millions of Ch$, except for %)

Net Interest Income	**769,851**	**871,320**	**13.2%**
Net Fees and Commissions	**292,262**	**308,773**	**5.6%**
Net Financial Operating and FX Income	**83,085**	**18,954**	**(77.2)%**
Other operating income	**23,584**	**24,735**	**4.9%**
Total Operating Revenues	**1,168,782**	**1,223,782**	**4.7%**
Net Financial Margin	**5.26%**	**4.80%**	
Net Interest Margin	**4.75%**	**4.69%**	

Net Interest Income	**198,165**	**235,431**