BANK OF CHILE
Form 6-K
October 30, 2014

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 October, 2014

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 o

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): o

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): o

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 o 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 October 30th, 2014, regarding its financial results for the Third Quarter of 2014.

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Santiago, Chile, October 30th, 2014, Banco de Chile (NYSE: BCH), a full service Chilean financial institution, market leader in a wide variety of lending and non-lending products and services across all segments of the Chilean financial market, today announced its results for the third quarter 2014.

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Credit Ratings

(LT Foreign Currency)

Moody s

Standard & Poors

2014 3rd Quarter | Earnings Report

Mixed Trends

HIGHLIGHTS

- **BCH recorded an uptick in loan growth by posting a QoQ book expansion of 2.2%, mainly steered by commercial loans.**
- **DDA balances posted a significant increase of 7.1% YoY and 3.3% QoQ, which strengthened BCH s market-leading position.**
- **In spite of lower inflation and fees trimmed by regulations, operating revenues posted a 1.7% YoY increase.**
- **BCH continued to lead the industry in profitability by posting a net income of Ch$159 Bn. and ROAE of 26% in the 3Q14.**

FINANCIAL SNAPSHOT

Arturo Tagle (CEO): I am glad to share with you our results for the 3Q14. Our bottom line maintained a solid trend by reaching Ch$159Bn. while resulting in a ROAE of 26%. These are amazing figures, but we keep grounded. Actually, during this quarter we recorded a positive extraordinary effect of roughly Ch$21 Bn. in our P&L, related to the impact of a corporate tax rate increase on our deferred taxes. Once adjusted by this effect, our net income reaches Ch$137 Bn., which is the same figure we posted in the 3Q13. We believe this reflects how well we are dealing with the effect of the economic slowdown on our loan growth, a riskier environment and lower inflation in the 3Q14 as compared to the 3Q13. In summary, we have been able to keep on advancing and remain the safest and the most profitable bank in LatAm. Also, we foresee a positive year end, as we expect an uptick in operating revenues, driven by inflation. As for 2015, we expect margins to be under pressure, based on a smoothing inflation, interest rates that will remain low and more aggressive competition within our target segment. However, we are confident that our competitive strengths will permit us to tackle a challenging and more difficult scenario in 2015 .

Selected Financial Data (1) **(in millions of Ch$, except %)**	**3Q13**	**3Q14**	**YoY Chg.**
Income Statement *(Millions of Ch$)*			
Total Operating Revenues (2)	379,638	**386,045**	1.7%
Provisions for loan losses	(70,056)	**(61,655)**	(12.0)%
Operating expenses	(154,004)	**(167,681)**	8.9%
Income before Income Tax	156,031	**157,456**	0.9%
Income Tax	(18,645)	**1,262**	
Net income (3)	137,386	**158,718**	15.5%
Earnings per Share			
Net income per share (Ch$)	1.47	**1.68**	13.7%
Book value per share (Ch$)	23.89	**25.76**	7.8%
Shares Outstanding (Millions)	93,175	**94,655**	1.6%
Balance Sheet *(Millions of Ch$)*			
Loans to customers	20,413,670	**21,383,079**	4.7%
Total assets	25,253,318	**26,611,900**	5.4%
Equity	2,225,831	**2,438,311**	9.5%
Profitability Ratios			
Return on average assets (ROAA)	2.21%	**2.42%**	+21bp
Return on average equity (ROAE)	24.97%	**26.33%**	+136bp
Net Financial Margin(4)	5.29%	**5.18%**	(10)bp
Efficiency ratio	40.57%	**43.44%**	+287bp
Credit Quality Ratios			
Total Past Due / Total Loans	1.14%	**1.28%**	+14bp
Allowances / Total loans	2.24%	**2.45%**	+21bp
Allowances / Total Past Due	1.97x	**1.91x**	(562)bp
Provisions / Avg. Loans	1.41%	**1.17%**	(24)bp
Capital Adequacy Ratios			
BIS Ratio (Regulatory Capital / RWA)	13.17%	**13.17%**	+0bp
Tier I Ratio (Capital / RWA)	9.92%	**10.26%**	+34bp

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(1) See pages 13 to 15.

(2) Net interest income, Net fees and commissions, foreign exchange transactions, net financial operating income and other operating income.

(3) Net Income attributable to Bank s owners (adjusted by minority interest).

(4) Net financial income divided by average interest earning assets.

3rd Quarter 2014 - Business Environment:

Chilean Economy

Economic slowdown continued to deepen in the 3Q14, driven by investment and consumption. While investment is expected to rebound modestly in the 4Q14, consumption should remain low in 2015. In spite of inflation, the Central Bank cut the monetary policy rate again, though making clear a change in its former dovish bias.

- The Chilean economy reached a new minimum in terms of expansion in the 3Q14, by recording a 0.8% (estimate) YoY growth in GDP. In line with the previous quarter, we continued to see an annual contraction in investment (for fifth quarter in a row) and a sharp slowdown in private consumption. Based on this scenario GDP growth expectations have been revised down for 2014 and 2015 by setting them in 2.0% and 3.1%, respectively.

- The economic deceleration has mainly been explained by a delay in investment projects, especially in mining and manufacturing sectors. This has been the result of a gloomy outlook for copper price, as well as soaring energy prices and labour costs. On the other hand, the last months have been marked by the uncertainty produced by certain reforms proposed by the government, most of them still under discussion. As a consequence, the business sentiment and the consumer confidence have continued falling.

- Nevertheless, we expect a tempered recovery for the investment in the 4Q14, mainly due to the low YoY basis for comparison (4Q13). Bottom line, investment should decrease about 4% this year while getting recovered in 2015 by pointing a 2.3% growth.

- The other factor explaining the modest quarterly economic performance is consumption. This variable has been hit by both a moderate increase in unemployment especially driven by lower job creation and a less upbeat view for the economy over the mid-term. As second-round effects of these trends, real wages have fallen and banks have set tightened credit conditions, both affecting household expenditures. All in all, we expect a 2.5% YoY expansion in private consumption for 2014 and 3.0% for 2015.

- Concerning to inflation, CPI reached a 4.9% 12-month variation in Sep-14, which is well above the mid-term target set by the Central Bank. High inflation has been fostered by a sharp exchange rate depreciation in the last months, which has affected the price of imported tradable goods. On the whole, market forecasts have set inflation in 4.6% for 2014 while anchoring CPI at 3% for 2015.

- Given the expectation on smoothing inflation, the Chilean Central Bank (CB) prompted a more aggressive monetary policy over the last months. As a result, the CB completed four consecutive cuts of 25 bp to the marginal standing facility rate by setting it in 3.0% as of Oct-14. Notwithstanding the above, the CB modified its former dovish bias and, therefore, the monetary stimulus is expected to fade away.

KEY ECONOMIC INDICATORS

GDP & Domestic Demand

(12m % change)

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Inflation and Monetary Policy Rate

(12m % change and %)

3rd Quarter 2014 - Business Environment:

Local Banking Industry

Industry s loan growth seemed to decouple from the economic trend in the 3Q14, at least temporarily. However, on a YoY basis, the slowdown in consumption is affecting the expansion of consumer loans. In terms of results, inflation and a more sloped yield curve have allowed the industry to cope with higher LLP and OpEx.

- Until the 2Q14, the industry s loan book displayed a downward trend in 12-month growth (real terms), decreasing from 8.4% in the 3Q13 to 3.9% in the 2Q14. This was perfectly aligned with a less dynamic economy and stricter credit conditions set by banks. However, the industry s book would have posted a 4.1% uptick in the 3Q14 (based on data as of Aug14). This represents a tempered QoQ growth that decoupled from the trend shown by the economy, at least temporarily.

- In a breakdown by lending family, mortgage loans grew by 9.8% YoY in the 3Q14 as compared to the 8.9% posted in the 3Q13 and more importantly above the 9.3% recorded in the 2Q14. Similarly, consumer loans posted an expansion of 5.1% YoY in the 3Q14, as compared to the 5.0% posted in the 2Q14, though below the 8.2% displayed in the 3Q13. This is in line with the trend followed by private consumption, as unveiled by a recent study conducted by the National Chamber of Commerce for the 3Q14. This report revealed that retail sales growth experienced the worst decline since the 4Q08 by contracting 3.2% (real terms). As for commercial loans, balances increased by 1.8% YoY in the 3Q14. This was slightly above the 1.6% recorded in the previous quarter while significantly underperforming the 8.3% expansion seen in the 3Q13. This reflects how the investment has scaled down this year.

- As for net income, the YTD bottom line of the industry increased by 38.3% YoY, from Ch$1,163 Bn. as of Aug13 to Ch$1,608 Bn. as of Aug14. The soared net income relied on higher operating revenues that boosted from Ch$4,640 Bn. in 2013 to Ch$5,674 Bn. in 2014. This was principally attributable to higher net interest income, which benefited from significantly higher inflation in 2014 vis-a-vis 2013, as well as a more favourable funding and term gapping, due to reduced short-term interest rates and a steeper yield curve.

- The rise in revenues permitted the industry to tackle higher loan loss provisions of roughly Ch$144 Bn. YoY and operating expenses climbing by Ch$377 Bn. YoY. The increase in risk expenses had mainly to do with additional provisions growing Ch$108 Bn. annually, which reflects the industry s concern about the economic outlook. As for expenses, the increase is explained by personnel and administrative expenses, some of them indexed to inflation.

- This performance allowed the whole banking system to post a ROAE of 18.0% as of Aug14, which was well above the 14.9% posted last year. Once again, inflation and lower short-term interest rates have played an important role in pulling this ratio up.

INDUSTRY S KEY FIGURES

Growth in Total Loans (1)(2)

(% change, in real terms)

Net Income & ROAE

(In billions of Ch$ and %, as of each date)

(1) Quarterly growth for the 3Q14 considers quarterlised growth based on monthly data for July and August 2014. Also 12-month growth for the 3Q14 considers the period Aug13/Aug14.

(2) Figures exclude operations of subsidiaries abroad and the one-off effect (estimate) of the consolidation of a retailer s credit card portfolio into its banking subsidiary, which added approximately Ch$430 billion in consumer loans to the industry s balance sheet as of December 31, 2013.

3rd Quarter 2014 - Earnings Report:

Net Income

Our net income was above Ch$150 Bn. for third quarter in a row, though including an extraordinary positive effect. Our bottom line also benefited from funding & gapping, lower loan loss provisions and higher income from loans. On a YTD basis, our net income increased by 21.6% YoY, fostered by operating revenues that increased as a result of higher UF variation, funding & gapping, and extraordinary effects.

Our net income amounted to Ch$159 Bn. in the 3Q14. This figure represented a 15.5% YoY increase as compared to the Ch$137 Bn. obtained in the 3Q13 and a 3.4% rise with respect to the previous quarter. Also, as of Aug-14 (latest available data) we ranked first in earnings generation within the local industry by attaining a 24.7% market stake. The annual increase in net income was fostered by diverse effects in revenues and expenses, as follows:

- A positive one-off effect on deferred taxes (~Ch$21.0 Bn.) in connection with the corporate tax rate increase prompted by the recently approved tax reform.

- An annual decrease in loan loss provisions, mostly related to additional allowances set in the 3Q13 and also a better credit risk behaviour, particularly in wholesale banking.

- An increment in revenues from asset and liability management (ALM) based on a steepening yield curve and lower short-term rates, which benefited funding and gapping.

- Higher income from the management of our AFS portfolio.

- Higher revenues from loans, based on increasing average balances (particularly focused on retail banking) and a one-timer related to the prepayment of a wholesale loan.

- The above factors enabled us to effectively deal with: (i) lower fee income produced by recently approved regulations on insurance brokerage and commercial strategies intended to promote the use of credit cards by our customers, (ii) higher operating expenses related to diverse effects like inflation and bonuses linked to collective bargaining processes, (iii) lower revenues from the management of our UF net asset exposure, and (iv) reduced contribution of DDA balances as a result of lower short-term interest rates

As a result, our ROAE was above 26% for second quarter in a row by posting 26.3%. Accordingly, we remained the most profitable bank within the local industry.

NET INCOME: EVOLUTION / BRIDGE

(In billions of Ch$, except for %)

On a YTD basis, our bottom line was Ch$463 Bn. as of Sep. 2014, which favourably compared to the Ch$381 Bn. posted last year. The 21.6% YoY increase had to do with: (i) a significantly positive effect of inflation on our UF net asset exposure, (ii) gains from funding and gapping relying on a more sloped yield curve, (iii) higher revenues from our AFS portfolio, (iv) higher income from loans as a result of growing average balances, especially in retail banking, and (v) the one-off effect on deferred taxes as a result of a corporate tax rate increase. These effects allowed us to offset: (i) higher loan loss provisions, in line with a riskier environment, and (ii) operating expenses that increased slightly above inflation.

3rd Quarter 2014 - Earnings Report:

Operating Revenues

In spite of lower inflation and regulations affecting revenues from fees, our operating revenues posted a 1.7% YoY rise. This was the result of effects associated with FX, income from loans and higher revenues from Treasury. On a YTD basis, revenues increased by 13.5% YoY, based on UF variation, income from loans, FX and favourable scenario for funding & gapping, as well as the AFS portfolio.

Our operating revenues totalled Ch$386 Bn. in the 3Q14, which was 1.7% above the figure posted in the 3Q13. Unlike previous quarters, inflation was not the main driver explaining our revenues, given a more contained UF variation in the 3Q14 as compared to the 3Q14. As a result, the YoY increase in revenues was fostered by:

- Income from loans increasing by nearly Ch$15.5 Bn. YoY, as a result of average loan balances that grew 6.7% in the 3Q14 as compared to the 3Q13. This growth has been focused on retail (10.9%) rather than wholesale banking (2.5%). Also, the increment in income was prompted by the prepayment of a wholesale loan (Ch$9.4 Bn.) in the 3Q14.

- Higher income of approximately Ch$9.4 Bn. related to the net asset position that hedges our US$-denominated loan loss provisions. This was the result of an 8.2% depreciation vs. a 0.7% appreciation of the Chilean peso (vs US$) in the 3Q14 and the 3Q13, respectively.

- Higher revenues from ALM of nearly Ch$7.5 Bn. YoY., based on improved funding and term gapping as a result of a steepening yield curve and reduced shot-term interest rates.

- Revenues from the management of our investment portfolio that increased by roughly Ch$5.2 Bn. in the 3Q14 vis-a-vis the 3Q13. This was mostly explained by higher sales of AFS securities, as we took advantage of lower interest rates and accumulated mark-to-market.

The above factors allowed us to more than offset:

- Lower contribution of our UF net asset position by approximately Ch$10.0 Bn. This was the result of lower UF variation in the 3Q14 (0.6%) as compared to the 3Q14 (1.1%), partly offset by lower nominal interest rates on liabilities funding this position.

- A YoY decrease of nearly Ch$5.8 Bn. in fee income, explained by: (i) lower fees from credit cards (Ch$5.5 Bn.), given lower transactions and commercial decisions we have made in order to increase their usage, (ii) a decline in fees from insurance brokerage due to recent regulations (Ch$2.0 Bn.), and (iii) a decrease in fees from securities brokerage (Ch$0.6 Bn.). These effects were partly offset fees from mutual funds that surged (Ch$3.9 Bn.) as a result of a 29.5% YoY growth in AUM in the 3Q14 vs. the 3Q13.

- A decrease of approximately Ch$1.4 Bn. in the contribution of our DDA. Though average balances climbed by 12.9% YoY, reduced short-term interest rates (given successive cuts in the marginal standing facility rate) caused a reduction in the benefit from these liabilities.

Despite the increase in revenues, margins fell in the 3Q14 vis-a-vis the 3Q13. Actually, whereas the NFM decreased from 5.29% to 5.18%, the NIM dropped from 4.92% to 4.73% in the period. These effects were mainly attributable to lower inflation (measured as UF variation).

TOTAL OPERATING REVENUES

	Quarters		**Year End**		**YoY Chg.**	
(in millions of Ch$ and %)	**3Q13**	**3Q14**	**Sep-13**	**Sep-14**	**3Q13/3Q14**	**Sep13/Sep14**
Net Interest Income	**281,143**	**285,505**	**768,693**	**902,859**	**1.6**	