



1. quarter 2011

Quarterly report

1st quarter 2011

Norwegian and international economy

Growth in the global economy has picked up again, even though the effects of the international financial crisis are still significant. Several European countries are facing challenges due to large budget deficits, high government debt and higher borrowing costs. Most commodity prices have also risen considerably at the same time in recent months. This has contributed to making the problems worse. There is uncertainty as to whether the most vulnerable countries will be required to restructure their debt, and if they are it would have a destabilising effect on global financial markets.

The higher prices for commodities reflect at the same time that growth in other parts of the world is positive. For Norway, rising oil prices have entailed higher revenues for the government and a higher level of activity, particularly in petroleum-related industries. The gross national product for mainland Norway increased in 2010 by 2.5 per cent, after falling by 1.3 per cent in the previous year. This positive development has continued into 2011. Unemployment is low and housing prices continue to rise. Norges Bank's key rate is 2 per cent, but this rate is expected to increase in the first half of the year as a result of the economic upswing.

Sparebanken Hedmark – Group

The Group prepares its financial statements in accordance with the IAS 34 accounting standard.

The Group consists of Sparebanken Hedmark and the consolidated, wholly-owned subsidiaries Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS, Vato AS and Meglereiendom AS. The Bank owns 12 per cent of SpareBank 1 Gruppen AS and Bank 1 Oslo AS, as well as 8.7 per cent of SpareBank 1 Boligkreditt AS. The profit/loss from these companies corresponding to the Bank's ownership interest is recognised in the Bank's consolidated financial statements.

The Group's profit before tax totalled NOK 139 million in the first quarter. The profit for the corresponding period last year was NOK 192 million. The net interest income was NOK 15 million higher than the corresponding period last year and represents 2.26 per cent of the average total assets. The net interest income was 2.14 per cent for the corresponding period last year.

The net profit from the securities area was NOK 6 million this year, compared with NOK 92 million last year, primarily as a result of abnormally high financial income last year.

Costs totalled NOK 169 million for the first quarter, compared with NOK 156 million last year. Total operating expenses as a percentage of total revenues was 56.7 per cent for the first quarter this year, compared with 42 per cent for the first quarter last year.

The Bank had a net positive contribution from loss items of NOK 10 million in the first quarter, compared with a loss of NOK 23 million in the same quarter last year.

The Group's return on equity was 10.3 per cent before tax and 7.9 per cent after tax in the first quarter. In the first quarter last year the return on equity was 16.1 per cent before tax and 12.1 per cent after tax.

Specification of the consolidated profit in NOK million:

Parent Bank's profit before tax	134
Dividends and group contributions received from subsidiaries/associates	- 31

Profit/loss attributable to:

SpareBank 1 Gruppen AS	19
Bank 1 Oslo AS	2
SpareBank 1 Boligkreditt AS	3
Hedmark Eiendom AS	0
SpareBank 1 Finans Østlandet AS	12
Consolidated profit before tax	139

Gross lending to customers, including loans transferred to SpareBank 1 Boligkreditt AS was NOK 42.3 billion as at 31 March 2011. The corresponding lending volume as at 31 March 2010 was NOK 39.3 billion. At the end of the quarter loans of NOK 8 billion had been transferred to SpareBank 1 Boligkreditt AS, compared with NOK 6 billion at the same point in time last year. Including the transferred loans the twelve-month lending growth was 7.8 per cent at the end of the quarter, compared with 6.5 per cent as at 31 March 2010.

Customer deposits totalled NOK 24.1 billion, compared with NOK 22.8 billion one year ago. Growth in deposits over the past 12 months was 5.5 per cent, compared with 2.3 per cent as at 31 March 2010. Deposits as a percentage of gross lending was 70.0 per cent, compared with 68.5 per cent at the same point in time last year.

Securities debt and debt to credit institutions was NOK 11.2 billion, compared with NOK 12.0 billion at the end of the first quarter last year.

The consolidated equity as at 31 March 2011 was NOK 5.4 billion, which corresponds to an equity ratio of 13 per cent of the balance sheet total. One year ago the equity was NOK 4.9 billion, which corresponded to 12 per cent of the balance sheet total.

The Group's core capital ratio was 14.9 per cent, compared with 13.8 per cent one year ago.

Sparebanken Hedmark – Parent Bank

Earnings

The profit before tax totalled NOK 134 million in the first quarter. The profit for the same period in 2010 was NOK 195 million. Profit after tax was NOK 104 million in the first quarter, compared with NOK 150 million for the same period last year. The profit corresponded to 1.31 per cent of the average total assets, compared with 1.92 per cent last year. The difference is attributed primarily to high income from financial investments in the first quarter last year.

Net interest income

Net interest income was NOK 211 million in the first quarter, compared with NOK 197 million in the first quarter of 2010. Net interest income as a percentage of average total assets was 2.06 per cent, compared with 1.95 per cent for the same period last year. The higher net interest income this year is attributed primarily to a reduction in market funding and improved net interest contribution from market funding and liquidity.

Net commission and other income

Net commission and other income was NOK 48 million, compared with NOK 50 million for the first quarter last year. Net interest income from loans that have been transferred to SpareBank 1 Boligkreditt AS, which is accounted for as commissions, was NOK 11 million in the first quarter.

Net profit from financial assets and liabilities

The net profit from financial assets and liabilities was NOK 13 million, compared with NOK 106 million last year.

A negative development for the Bank's securities debt in the first quarter this year, compared with a positive development for the Bank's securities assets and debt in the first quarter of 2010 is the main reason for the difference.

Operating expenses

Total operating expenses were NOK 148 million in the first quarter, compared with NOK 136 million in the first quarter of 2010. Adjusted for the non-recurring recognition of income related to a new contractual early retirement (AFP) scheme and provisions for performance-based remuneration in the first quarter of 2010, as well as reimbursements from SpareBank 1 Utvikling in the first quarter of 2011, this year's costs are NOK 0.5 million higher than last year.

Losses

Losses on loans and guarantees year to date was positive NOK 10 million. Net losses on loans was NOK 10 million, while the sale of a portfolio of loans that had been written off resulted in a positive profit contribution of NOK 20 million.

Net positive result for loss items in the first quarter represents 0.12 per cent of the gross lending on an annualised basis. The losses were 0.28 per cent of gross lending for the same period last year.

Lending

Gross lending to customers totalled NOK 31.9 billion as at 31 March 2011. Including loans transferred to SpareBank 1 Boligkreditt AS, gross lending totalled NOK 39.9 billion. Lending growth over the past 12 months, including loans transferred to SpareBank 1 Boligkreditt AS has been 7.3 per cent. Growth over the past 12 months one year ago was 6.1 per cent.

The risk profile for the Bank's granting of credit has not changed in the first quarter of 2011.

Deposits

Deposits from and liabilities to customers totalled NOK 24.1 billion as at 31 March 2011. Growth in deposits over the past 12 months has been 5.5 per cent. Growth in deposits over the past 12 months one year ago was 2.3 per cent. The retail market shows the highest growth in deposits. Deposits measured as a percentage of gross lending were 76 per cent at the end of the first quarter.

Capital adequacy

The capital adequacy ratio for the Parent Bank was 16.0 per cent as at 31 March 2011, compared with 14.9 per cent one year ago. For Sparebanken Hedmark the core capital adequacy ratio is identical with the capital adequacy ratio. Year-to-date profit has not been included in the calculation of the capital adequacy ratio.

The Bank's equity consists entirely of retained earnings, and represented 12.4 per cent of the total assets at the end of the quarter.

Liquidity

As at 31 March 2011 the Bank had adequate liquidity and reserves to continue normal operations for more than 18 months without access to any external funding. The Bank's funding risk is moderate in the opinion of the Board of Directors.

Outlook for the rest of the year

There are prospects of a relatively high growth in production and employment throughout 2011. International uncertainty may affect certain trade and industry sectors in the region. With good liquidity, satisfactory deposit coverage and a high equity ratio, the Bank is financially strong. This has been confirmed by the rating agency Moody's, which rated Sparebanken Hedmark A1 with a stable outlook in March.

Hamar, 5 May 2011

Board of Directors of Sparebanken Hedmark

Income statement (not revised)

Parent Bank			Notes	Group		
31.12.10	31.03.10	31.03.11 (NOK million)		31.03.11	31.03.10	31.12.10
1 779	413	454		480	437	1 875
958	216	243		243	215	957
821	197	211		237	222	918
220	47	54		54	46	220
35	9	8		12	12	48
22	12	2		13	23	79
207	50	48		55	57	251
38						38
52	33	31		24	20	124
197	73	-18		-18	72	197
287	106	13		6	92	359
1 315	353	272		298	371	1 528
323	63	82		95	74	369
290	73	66		74	82	330
613	136	148	4	169	156	699
702	217	124		129	215	829
48	22	-10	6	-10	23	50
654	195	134		139	192	779
129	45	30		33	48	144
525	150	104		106	144	635

Statement of comprehensive income according to IAS 1

525	150	104	Results for the accounting period	106	144	635
12			Actuarial gains / losses on pensions			11
-3			Tax effect of actuarial gains / losses on pensions			-3
67	6	10	Change in value of financial assets available for sale	10	6	67
5			Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value			5
-111			Financial assets available for sale transferred to profit and loss on realisation			-111
			Change in accounting principles in associated companies and joint ventures recognised directly in equity			
			Share of gains and losses in associated companies and joint ventures recognised directly in equity	4		-7
-30	6	10	Total profit and loss items recognised in equity	14	6	-38
495	156	114	Total profit / loss for the accounting year	120	150	597

Balance sheet (not revised)

Parent Bank					Group		
31.12.10	31.03.10	31.03.11	(NOK million)	Notes	31.03.11	31.03.10	31.12.10
ASSETS							
995	1 085	1 100	Cash and deposits with central banks		1 100	1 085	995
2 054	1 830	2 256	Loans to and receivables from credit institutions		127	80	57
31 567	31 128	31 916	Gross loans to and receivables from customers	5	34 382	33 251	33 942
-216	-199	-215	- Individual write-downs		-232	-223	-231
-95	-147	-92	- Write-downs of groups of loans		-99	-154	-102
31 256	30 782	31 609	Net loans to and receivables from customers		34 051	32 874	33 609
4 531	4 353	3 913	Certificates, bonds and fixed-income funds		3 913	4 353	4 531
270	227	173	Financial derivatives	7	173	227	270
359	642	370	Shares, units and other equity interests		370	642	359
1 009	603	1 009	Investments in associates and joint ventures		1 304	771	1 272
305	305	305	Investments in subsidiaries				
	2		Assets held for sale		1	2	2
257	264	254	Property, plant and equipment		276	283	279
86	88	85	Goodwill and other intangible assets		89	92	90
85	73	85	Deferred tax asset		87	76	87
125	121	136	Other assets	8	227	183	201
41 332	40 375	41 295	Total assets		41 718	40 668	41 752
LIABILITIES							
3 837	5 024	3 886	Deposits from and liabilities to credit institutions		3 882	5 022	3 836
24 208	22 967	24 192	Deposits from and liabilities to customers	9	24 083	22 817	24 083
7 430	6 932	7 326	Liabilities arising from issuance of securities	10	7 326	6 932	7 430
215	191	192	Financial derivatives	7	192	191	215
129	129	163	Current tax liabilities		170	142	142
495	435	411	Other debt and liabilities recognised in the balance sheet	11	623	675	721
36 314	35 678	36 170	Total liabilities		36 276	35 779	36 427
EQUITY CAPITAL							
4 840	4 331	4 834	Primary capital		4 834	4 331	4 840
78	71	77	Endowment fund		77	71	78
100	145	110	Fund for unrealised gains		110	145	100
			Other equity		315	198	307
	150	104	Result for the period		106	144	
5 018	4 697	5 125	Total equity capital		5 442	4 889	5 325
41 332	40 375	41 295	Total liabilities and equity capital		41 718	40 668	41 752

Change in equity capital

Parent Bank

(NOK million)

	Earned equity			Total equity capital
	Balance primary capital	Donation fund	Fund for value adjustment	
Equity at 1 January 2010	4 337	73	139	4 549
Total comprehensive income	150		6	156
Donations distributed from profit 2009	-6			-6
Grants from endowment fund in 2010		-2		-2
Equity at 31 March 2010	4 481	71	145	4 697
Equity at 1 January 2010	4 337	73	139	4 549
Total comprehensive income	534		-39	495
Donations distributed from profit 2009	-6			-6
Grants from endowment fund in 2010		-20		-20
Transfer to endowment fund in 2010	-25	25		0
Equity at 31 December 2010	4 840	78	100	5 018
Equity at 1 January 2011	4 840	78	100	5 018
Total comprehensive income	104		10	114
Donations distributed from profit 2010	-6			-6
Grants from endowment fund in 2011		-1		-1
Transfer to endowment fund in 2011				0
Equity at 31 March 2011	4 938	77	110	5 125

Group

(NOK million)

	Earned equity				Total equity capital
	Balance primary capital	Donation fund	Fund for value adjustment	Other equity capital	
Equity at 1 January 2010	4 337	73	139	210	4 759
IB correction: Correction of previous years' errors in joint ventures				-11	-11
Adjusted equity at 1 January 2010	4 337	73	139	199	4 748
Total comprehensive income	144		6		150
Change in Eq cap from companies in the Group				-1	-1
Donations distributed from profit 2009	-6				-6
Grants from endowment fund in 2010		-2			-2
Equity at 31 March 2010	4 475	71	145	198	4 889
Equity at 1 January 2010	4 337	73	139	210	4 759
IB correction: Reclassification of associated companies				200	200
IB correction: Correction of previous years' errors in joint ventures				-11	-11
Adjusted equity at 1 January 2010	4 337	73	139	399	4 948
Total comprehensive income	534		-39	102	597
Direct recognition in equity in associated companies and joint ventures				-194	-194
Donations distributed from profit 2009	-6				-6
Grants from endowment fund in 2010		-20			-20
Transfers to endowment fund in 2010	-25	25			0
Equity at 31 December 2010	4 840	78	100	307	5 325
Equity at 1 January 2011	4 840	78	100	307	5 325
IB correction: Correction of previous years' errors in joint ventures				4	4
Adjusted equity at 1 January 2011	4 840	78	100	311	5 329
Total comprehensive income	106		10	4	120
Direct recognition in equity in associated companies and joint ventures					0
Donations distributed from profit 2010	-6				-6
Grants from endowment fund in 2011		-1			-1
Transfer to endowment fund in 2011					0
Equity at 31 March 2011	4 940	77	110	315	5 442

Results from the quarterly accounts

(Isolated figures in NOK million)

Group	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Interest income	480	493	488	457	437	433	455	510	596
Interest expenses	243	251	256	235	215	206	230	309	406
Net interest income	237	242	232	222	222	227	225	201	190
Commission income	54	58	57	59	46	57	48	44	37
Commission expenses	12	12	12	12	12	11	12	12	10
Other operating income	13	20	19	17	23	31	34	17	11
Net commission and other income	55	66	64	64	57	77	70	49	38
Dividends		1	1	36		1	2	7	
Net profit from ownership interests	24	38	37	29	20	12	-125	43	-3
Net profit from other financial assets and liabilities	-18	11	-5	119	72	75	38	49	-25
Net income from financial assets and liabilities	6	50	33	184	92	88	-85	99	-28
Total net income	298	358	329	470	371	392	210	349	200
Personnel expenses	95	96	103	96	74	88	101	34	85
Other operating expenses	74	95	73	80	82	101	72	80	82
Total operating expenses	169	191	176	176	156	189	173	114	167
Profit before losses	129	167	153	294	215	203	37	235	33
Losses on loans and guarantees	-10	32	3	-8	23	27	58	46	15
Profit/loss before tax	139	135	150	302	192	176	-21	189	18
Tax charge	33	26	12	58	48	30	36	36	9
Results for the accounting period	106	109	138	244	144	146	-57	153	9

Cash flow statement

Parent Bank				Group		
31.12.10	31.03.10	31.03.11	(NOK million)	31.03.11	31.03.10	31.12.10
1 987	1 414	23	Cash flow from lending operations (A)	-24	1 371	1 809
500	-335	-156	Cash flow from deposit operations (B)	-140	-378	481
-72	-119	558	Cash flow from investments in securities (C)	558	-119	-72
-208	-19	-112	Cash flow from deposits in credit institutions (D)	21	85	145
-505	-224	-172	Remaining cash flow from current operations (E)	-268	-214	-616
1 702	717	141	Cash flow from operations (A+B+C+D+E=F)	147	745	1 747
-1 665	-646	4	Cash flow from financing activities (G)	29	-646	-1 665
-161	-71	28	Cash flow from investments in fixed assets (H)	-3	-99	-206
			Liquidity effect of acquisition and sale of subsidiaries(I)			
-124	0	173	Change in cash and cash equivalents (F+G+H+I)	173	0	-124
1 145	1 145	1 021	Cash and cash equivalents at 1 January	1 021	1 145	1 145
1 021	1 145	1 194	Cash and cash equivalents at the end of the period	1 194	1 145	1 021
			Cash and cash equivalents at the end of the period comprise:			
995	1 085	1 100	Cash and deposits with central banks	1 100	1 085	995
26	60	94	Deposits etc. at call with banks	94	60	26
1 021	1 145	1 194	Cash and cash equivalents at the end of the period	1 194	1 145	1 021

Key figures for the Group

(NOK million and as % of average assets)

	Q1 2011		Q1 2010		Year 2010	
	Amount	%	Amount	%	Amount	%
Profit and Loss Account summary						
Net interest income	237	2,26%	222	2,14%	918	2,18%
Net commissions and other (non-interest) income	55	0,53%	57	0,55%	251	0,60%
Net income from financial investments	6	0,06%	92	0,88%	359	0,85%
Total income	298	2,85%	371	3,57%	1 528	3,63%
Total operating expenses	169	1,61%	156	1,50%	699	1,66%
Result before losses	129	1,23%	215	2,07%	829	1,97%
Losses on loans and guarantees	-10	-0,10%	23	0,22%	50	0,12%
Result before tax	139	1,33%	192	1,85%	779	1,85%
Tax charges	33	0,32%	48	0,46%	144	0,34%
Result after tax	106	1,01%	144	1,39%	635	1,51%
Profitability						
Return on equity capital before tax		10,3 %		16,1 %		15,5 %
Return on equity capital after tax		7,9 %		12,1 %		12,6 %
Return on equity capital of total result after tax		8,9 %		12,6 %		11,8 %
Total operating costs in relation to total income		56,7 %		42,0 %		45,7 %
Total operating costs in rel. to total income excl. income from financial investments		57,9 %		55,9 %		59,8 %
From the Balance Sheet						
Gross loans to customers	34 382		33 251		33 942	
Gross loans to customers including SpareBank 1 Boligkreditt	42 339		39 264		41 793	
Deposits from customers	24 083		22 817		24 083	
Deposits from customers in relation to gross loans to customers		70,0 %		68,6 %		71,0 %
Lending growth during the last 12 months		3,4 %		-3,2 %		-0,8 %
Lending growth in last 12 months including SpareBank 1 Boligkreditt		7,8 %		6,5 %		7,7 %
Deposit growth during the last 12 months		5,5 %		2,3 %		4,3 %
Average assets	41 870		41 531		42 053	
Assets	41 718		40 668		41 752	
Losses and commitments in default						
Losses on loans as a percentage of gross loans		-0,1 %		0,3 %		0,1 %
Commitments in default as a percentage of total commitments		1,1 %		1,2 %		1,0 %
Other bad and doubtful commitments as a percentage of total commitments		0,9 %		1,0 %		1,2 %
Net commitment in default and commitments with loss provisions as a percentage of total commitments		1,4 %		1,6 %		1,6 %
Financial strength						
Capital adequacy ratio		14,9 %		13,8 %		15,1 %
Core capital ratio		14,9 %		13,8 %		15,1 %
Net core capital	3 776		3 313		3 785	
Net equity and related capital	5 442		4 889		5 325	

Notes to the accounts

Note 1: Accounting principles

The financial statements for Sparebanken Hedmark comprise the period 01.01-31.03.2011. The financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, currently valid IFRS standards and IFRIC interpretations. The consolidated financial statements have been prepared according to IFRS rules and regulations since 1 January 2007.

The financial statements in this interim report have been prepared using the same principles and calculation methods as used in the most recent annual financial statements.

The interim financial statements do not contain all of the information required for complete annual financial statements, and should be read in conjunction with the annual financial statements for 2010.

The reporting currency is Norwegian kroner (NOK), which is also the functional currency of all of the Group's units. All figures are stated in millions of NOK unless otherwise stated.

Note 2: Changes in the group composition

2011

There are no changes in the Group composition in the period of 01.01.2011 - 31.03.2011.

2010

Bank 1 Oslo AS de-merged from the Group SpareBank 1 Gruppen AS from 01.01.2010 and as of then will be an independent commercial bank. Bank 1 Oslo AS has up until now been a wholly owned subsidiary of SpareBanken 1 Gruppen AS and has thereby been indirectly owned by Sparebanken Hedmark with per cent. Sparebanken Hedmark will own 12 per cent of the bank and 12 per cent in SpareBank 1 Group AS as before. The de-merge of Bank 1 Oslo AS will not lead to accounting consequences of significance. From 1 January 2010 SpareBank 1 Boligkreditt AS is defined as an associated company in the Sparebanken Hedmark Group. The Bank owns an 8.72 per cent stake.

2009

On 28.09.2009, Sparebanken Hedmark sold its shareholding of 15 per cent in BN Bank ASA to SpareBank 1 SMN, and from this point on the company is removed as FKV in the consolidated account.

Note 3: Segment information

This segment information is linked to the way the Group is run and followed up internally in the entity through reporting on performance and capital, authorisations and routines. Reporting on segments is divided into following areas:

Retail banking, corporate banking, property, leasing and other activities. Property brokerage and leasing are organised as independent companies. The result of the elimination of companies appears with other activities in a separate column.

Group

Income statement	Q1 2011					Total
	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Hedmark Eiendom	Other	
Net interest income	105	75	26		31	237
-of which internal items		16	-17	1		0
Net commission and other income	36	11	-4	11	1	55
-of which internal items						0
Net return on financial investments					6	6
Operating expenses*	54	20	10	11	74	169
Profit before losses by segment:	87	66	12	0	-36	129
Losses on loans and guarantees	-12	2				-10
Profit / loss per segment	99	64	12	0	-36	139

Q1 2011						
Balance sheet	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Hedmark Eiendom	Other	Total
Gross lending to customers	19 091	12 396	2 462		433	34 382
-of which internal items						0
Individual loan write-downs	-43	-172	-17			-232
Collective loan write-downs	-32	-60	-7			-99
Other assets	111		107	107	7 342	7 667
Total assets per segment	19 127	12 164	2 545	107	7 775	41 718
Deposits from and liabilities to customers	15 777	8 113			193	24 083
-of which internal items		105		-105		0
Other liabilities and equity	3 350	4 051	2 545	107	7 582	17 635
Total equity and liabilities per segment	19 127	12 164	2 545	107	7 775	41 718

Q1 2010						
Income statement	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Hedmark Eiendom	Other	Total
Net interest income	105	77	23		17	222
-of which internal items		11	-12	1		0
Net commission and other income	28	19	-3	10	3	57
-of which internal items						0
Net return on financial investments					92	92
Operating expenses*	56	19	9	10	62	156
Profit before losses by segment:	77	77	11	0	50	215
Losses on loans and guarantees	1	21	1			23
Profit / loss per segment	76	56	10	0	50	192

Q1 2010						
Balance sheet	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Hedmark Eiendom	Other	Total
Gross lending to customers	19 054	11 571	2 123		503	33 251
-of which internal items						0
Individual loan write-downs	-39	-160	-24			-223
Collective loan write-downs	-26	-121	-8			-155
Other assets	126	11	68	153	7 437	7 795
Total assets per segment	19 115	11 301	2 159	153	7 940	40 668
Deposits from and liabilities to customers	14 900	7 806			111	22 817
-of which internal items		149		-146	-3	0
Other liabilities and equity	4 215	3 495	2 159	153	7 829	17 851
Total equity and liabilities per segment	19 115	11 301	2 159	153	7 940	40 668

2010						
Income statement	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Hedmark Eiendom	Other	Total
Net interest income	440	317	96	1	64	918
-of which internal items		54	-57	3		0
Net commission and other income	146	53	-13	54	10	251
-of which internal items		1	-1			0
Net return on financial investments					359	359
Operating expenses*	231	80	38	48	301	699
Profit before losses by segment:	355	290	45	7	132	829
Losses on loans and guarantees	22	26	2			50
Profit / loss per segment	333	264	43	7	132	779

2010						
Balance sheet	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Hedmark Eiendom	Other	Total
Gross lending to customers	18 893	12 239	2 371		439	33 942
-of which internal items						0
Individual loan write-downs	-42	-174	-15			-231
Collective loan write-downs	-35	-60	-7			-102
Other assets	131		89	124	7 799	8 143
Total assets per segment	18 947	12 005	2 438	124	8 238	41 752
Deposits from and liabilities to customers	15 674	8 288			121	24 083
-of which internal items		124		-120	-4	0
Other liabilities and equity	3 273	3 717	2 438	124	8 117	17 669
Total equity and liabilities per segment	18 947	12 005	2 438	124	8 238	41 752

*) Operating expenses in Retail and Corporate consist of directly attributable payroll and administration costs.

Note 4: Operating expenses

Parent Bank				Group		
31.12.10	31.03.10	31.03.11		31.03.11	31.03.10	31.12.10
323	63	82	Total personnel expenses	95	74	369
201	46	41	Administration expenses	46	51	225
28	8	6	Depreciation	7	8	31
9	2	2	Rent	3	2	10
16	3	4	Wealth tax	4	3	16
36	14	13	Other operating expenses	14	18	48
613	136	148	Total operating expenses	169	156	699

The introduction of a new AFP early-retirement scheme from 19.02.2010 have resulted in a one-off saving of NOK 24 million 31.03.2010. This one-off saving was adjusted 31.12.2010 (NOK 22 million).

Note 5: Loans to and receivables from customers

Parent Bank				Group		
31.12.10	31.03.10	31.03.11		31.03.11	31.03.10	31.12.10
			Loans by type of receivable			
			Financial leasing	1 076	1 005	1 053
3 336	2 783	3 565	Overdraft facilities and operating credits	3 565	2 783	3 336
785	1 105	801	Building loans	801	1 105	785
27 353	27 152	27 457	Repayment loans	28 833	28 258	28 660
93	88	93	Accrued interest	107	100	108
31 567	31 128	31 916	Gross loans to and receivables from customers	34 382	33 251	33 942
311	346	307	Write-downs	331	377	333
31 256	30 782	31 593	Loans to and receivables from customers	34 051	32 874	33 609
			Loans by type of market			
19 472	19 724	19 686	Private customers	20 816	20 622	20 512
12 066	11 396	12 218	Corporate	13 474	12 568	13 259
3	8	12	Public sector	78	49	63
			Accrued interest	14	12	15
31 567	31 128	31 916	Gross loans to and receivables from customers	34 382	33 251	33 942
311	346	307	Write-downs	331	377	333
31 256	30 782	31 609	Loans to and receivables from customers	34 051	32 874	33 609
			Of which subordinated loan capital			
			Subordinated capital in credit institutions			
0	2	0	Other subordinated capital	0	2	0
0	2	0	Subordinated loan capital recorded as lending	0	2	0

Parent Bank				Group		
31.12.10	31.03.10	31.03.11		31.03.11	31.03.10	31.12.10
			Total commitments by sector and industry			
20 786	21 000	21 063	Private customers	22 211	21 926	21 875
3	8	12	Public sector	78	54	63
3 110	2 997	3 106	Primary industries	3 261	3 151	3 267
462	386	443	Paper and pulp industries	458	400	462
499	339	487	Other industry	568	411	648
1 023	1 016	1 012	Building and construction	1 299	1 280	1 304
110	119	114	Power and water supply	176	161	110
1 123	919	1 148	Wholesale and retail trade	1 349	1 108	1 307
221	211	220	Hotel and restaurants	226	218	221
5 098	5 112	5 194	Real estate	5 224	5 137	5 125
1 994	1 957	2 020	Commercial services	2 220	2 145	2 205
313	344	299	Transport and communications	509	577	525
30	32		Other	17	35	30
			Accrued interest, undistributed	14	12	15
34 772	34 440	35 118	Total commitments by sector and industry	37 610	36 615	37 157

Parent Bank			Gross loans by sector and industry	Group		
31.12.10	31.03.10	31.03.11		31.03.11	31.03.10	31.12.10
19 472	19 698	19 686	Private customers	20 816	20 596	20 553
3	8	12	Public sector	78	49	63
2 779	2 607	2 698	Primary industries	2 849	2 758	2 936
404	309	405	Paper and pulp industries	420	322	404
366	275	382	Other industry	463	345	514
756	759	787	Building and construction	1 073	1 020	1 037
86	93	88	Power and water supply	150	134	86
799	811	821	Wholesale and retail trade	1 021	996	983
203	197	207	Hotel and restaurants	213	204	203
4 748	4 540	4 891	Real estate	4 920	4 565	4 775
1 685	1 560	1 709	Commercial services	1 908	1 747	1 895
236	239	230	Transport and communications	440	468	448
30	32		Other	17	35	30
			Accrued interest, undistributed	14	12	15
31 567	31 128	31 916	Total gross loans by sector and industry	34 382	33 251	33 942

Parent Bank			Individual write-downs by sector and industry	Group		
31.12.10	31.03.10	31.03.11		31.03.11	31.03.10	31.12.10
46	45	47	Private customers	47	47	48
1	3	1	Primary industries	5	9	5
12	21	8	Paper and pulp industries	12	21	12
10	7	8	Other industry	13	12	15
28	5	27	Building and construction	29	7	29
2	1	2	Power and water supply	2	1	2
12	17	16	Wholesale and retail trade	17	19	13
16	16	16	Hotel and restaurants	16	17	16
2	52	48	Real estate	49	52	2
50	28	40	Commercial services	40	34	51
37	4	2	Transport and communications	2	4	38
216	199	215	Total individual write-downs by sector and industry	232	223	231

Note 6: Losses on loans and guarantees

Parent Bank				Group		
31.12.10	31.03.10	31.03.11		31.03.11	31.03.10	31.12.10
40	8	-2	Change in individual write-downs in the period	1	9	23
-42	10	-3	+ Change in collective write-downs in the period	-3	10	-42
43	3	12	+ Realised losses on commitments previously written down	8	3	65
14	2	50	+ Realised losses on commitments not previously written down	51	2	13
7	2	67	- Recoveries on loans and guarantees previously written down	67	2	9
48	22	-10	Total losses on loans and guarantees	-10	23	50

*) Sparebanken Hedmark sold a loan portfolio that had been written off earlier in the Bank's accounts in the first quarter of 2011. The net gain from this transaction was around NOK 20 million and appears under receipts on earlier write-offs.

Parent Bank				Group		
31.12.10	31.03.10	31.03.11	Individual write-downs	31.03.11	31.03.10	31.12.10
194	194	221	Individual write-downs to cover losses on loans and guarantees at 1 January	236	226	226
			Realised losses in the period on loans and guarantees previously			
44	3	12	written down individually	12	12	66
20	10	4	Reversal of write-downs in previous years	6	11	26
12	4	10	Increase in write-downs on commitments previously written down individually	10	5	14
79	16	3	Write-downs on commitments not previously written down individually	7	18	88
221	201	218	Individual write-downs to cover losses on loans and guarantees at the end of period *)	235	226	236

*) Guarantee provisions are included under Other liabilities in the balance sheet, see Note 11.

Parent Bank				Group		
31.12.10	31.03.10	31.03.11	Collective write-downs	31.03.11	31.03.10	31.12.10
137	137	95	Collective write-downs to cover losses on loans and guarantees at 1 January	102	144	144
-42	10	-3	Collective write-downs to cover losses on loans and guarantees in the period	-3	10	-42
95	147	92	Collective write-downs to cover losses on loans and guarantees	99	154	102

Parent Bank				Group		
31.12.10	31.03.10	31.03.11	Defaulted (more than 90 days) and doubtful commitments	31.03.11	31.03.10	31.12.10
344	366	375	Defaulted commitments	420	432	390
434	358	323	Other doubtful commitments	330	363	441
778	724	698	Total defaulted and doubtful commitments	750	795	831
221	201	218	Individual write-downs	235	226	236
557	523	480	Net defaulted and doubtful commitments	515	569	595

Commitment means the customer's total commitment including guarantee ceilings and unused credit facilities.

Note 7: Financial derivatives

Parent Bank and Group

At fair market value through p & l account

	Q1 2011		
	Contract sum	Fair market value	
		Assets	Liabilities
Foreign exchange instruments			
Forward exchange contracts	1 952	36	31
Currency swap contracts	2 180	18	11
Total foreign exchange instruments	4 132	54	42
Interest rate instruments			
Interest rate swaps (inc. int. rate & currency)	9 178	106	114
Other interest rate contracts	1 130	7	0
Total interest rate instruments	10 308	113	114
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	67	0	0
Total curr.- and int. rate instruments			
Total currency instruments	4 132	54	42
Total interest rate instruments	10 308	113	114
Total other financial derivatives	67	0	0
Total	14 507	167	156

At fair market value through p & l account

	Q1 2010		
	Contract sum	Fair market value	
		Assets	Liabilities
Foreign exchange instruments			
Forward exchange contracts	2 251	26	35
Currency swap contracts	1 508	17	7
Total foreign exchange instruments	3 759	44	42
Interest rate instruments			
Interest rate swaps (inc. int. rate & currency)	8 212	94	87
Other interest rate contracts	1 133	11	0
Total interest rate instruments	9 345	105	87
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	67	0	11
Total curr. and int. rate instruments			
Total currency instruments	3 759	105	87
Total interest rate instruments	9 345	44	42
Accrued interest *)		78	50
Total other financial instruments	67	0	11
Total	13 171	227	191

*) For comparable figures from 1 q. 2010, accrued interest has only been included in the summation table.

At fair market value through p & l account	2010		
	Contract sum	Fair market value	
		Assets	Liabilities
Foreign exchange instruments			
Forward exchange contracts	1 773	58	44
Currency swap contracts	1 738	4	37
Total foreign exchange instruments	3 511	62	81
Interest rate instruments			
Interest rate swaps (inc. int. rate & currency)	8 486	198	122
Other interest rate contracts	1 130	10	0
Total interest rate instruments	9 616	208	122
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	67		12
Total curr. and int. rate instruments			
Total currency instruments	3 511	62	81
Total interest rate instruments	9 616	208	122
Total other financial instruments	67	0	12
Total	13 194	270	215

Note 8: Other assets

Parent Bank				Group		
31.12.10	31.03.10	31.03.11		31.03.11	31.03.10	31.12.10
13	10	13	Capital payments into pension fund	13	10	13
75	83	81	Accrued income, not yet received	81	83	75
22	10	26	Prepaid costs, not yet incurred	26	10	22
15	18	16	Other assets	107	80	91
125	121	136	Other assets	227	183	201

Note 9: Deposits from and liabilities to customers

Parent Bank				Group		
31.12.10	31.03.10	31.03.11		31.03.11	31.03.10	31.12.10
15 871	15 149	16 001	Private customers	16 001	15 149	15 871
2 122	1 854	2 166	Public sector	2 166	1 854	2 122
682	720	761	Primary industries	761	720	682
114	71	117	Paper and pulp industries	117	71	114
327	321	301	Other industry	301	321	327
409	353	370	Building and construction	370	353	409
215	203	207	Power and water supply	207	203	215
665	557	615	Wholesale and retail trade	615	557	665
81	66	81	Hotel and restaurants	81	66	81
1 333	1 352	1 277	Real estate	1 277	1 352	1 333
2 203	2 121	2 056	Commercial services	1 947	1 971	2 078
175	188	228	Transport and communications	228	188	175
11	12	12	Other operations	12	12	11
24 208	22 967	24 192	Total deposits by sector and industry	24 083	22 817	24 083

Note 10: Securities-related debt

Parent Bank and Group

Changes in liabilities from issuance of securities	31.03.11	Issued	Due / redeemed	Other changes	31.12.10
Certificate-based debt, nominal value	900				900
Bond debt, nominal value	6 433	500	-271	-200	6 404
Accrued interest	98			-79	177
Adjustments	-105			-54	-51
Total debt raised through issuance of securities, fair value	7 326	500	-271	-333	7 430

Changes in liabilities from issuance of securities	31.03.10	Issued	Due / redeemed	Other changes	31.12.09
Certificate-based debt, nominal value	200				200
Bond debt, nominal value	6 675		-300	-175	7 150
Accrued interest	70			-97	167
Adjustments	-13			17	-30
Total debt raised through issuance of securities, fair value	6 932	0	-300	-255	7 487

Changes in liabilities from issuance of securities	31.12.10	Issued	Due / redeemed	Other changes	31.12.09
Certificate-based debt, nominal value	900	900	-200		200
Bond debt, nominal value	6 404	760	-1 746	240	7 150
Accrued interest	177			10	167
Adjustments	-51			-21	-30
Total debt raised through issuance of securities, fair value	7 430	1 660	-1 946	229	7 487

Note 11: Other debt and liabilities recognised in the balance sheet

Parent Bank			Group		
31.12.10	31.03.10	31.03.11	31.03.11	31.03.10	31.12.10
296	321	304	318	335	309
5	2	3	3	2	5
16	8	6	6	8	16
29	4	21	23	6	33
149	100	77	273	324	358
495	435	411	623	675	721
Total other debt and liabilities recognised in the balance sheet					

Note 12: Capital adequacy

Parent Bank				Group		
31.12.10	31.03.10	31.03.11		31.03.11	31.03.10	31.12.10
4 840	4 331	4 834	Primary capital	4 834	4 331	4 840
78	71	77	Revaluation fund / equalisation reserve	77	71	78
100	145	110	Endowment fund	110	145	100
	150	104	Results for the accounting period	106	144	
			Other equity	315	198	307
5 018	4 697	5 125	Total equity carried	5 442	4 889	5 325
			Group companies not consolidated for capital adequacy purposes	-300	-176	-283
			Deductions:			
			Over-funding pension liability			
	-150	-104	Result so far not included	-106	-144	
-58	-100	-58	Unrealised value change due to reduced / increased value of liabilities	-58	-100	-58
-171	-161	-171	Deferred tax, goodwill and other intangible assets	-173	-164	-173
-100	-145	-110	Net unrealised gains on shares available for sale	-110	-145	-100
			Capital adequacy reserve	-576	-576	-576
-867	-749	-869	Deduction for subordinated capital in other financial institutions	-343	-271	-350
-1 196	-1 305	-1 312	Total deductions	-1 366	-1 400	-1 257
			Additions:			
45	65	50	45 per cent of unrealised gain on shares classified as available for sale	50	65	45
-45	-65	-50	Deduction for subordinated capital in other financial institutions	-50	-65	-45
0	0	0	Total additions	0	0	0
3 822	3 392	3 813	Net subordinated capital	3 776	3 313	3 785
			Risk-weighted asset calculation basis:			
30	13	13	Local and regional authorities	13	12	30
			Publicly owned enterprises	9	1	8
2 293	2 425	2 036	Institutions	1 593	2 076	1 887
5 594	4 963	5 646	Companies	5 803	5 127	5 739
6 199	5 738	6 343	Mass market	7 808	6 921	7 602
7 522	7 588	7 546	Security in mortgaged property	7 398	7 608	7 522
549	425	548	Commitments due for repayment	587	470	591
115	50	124	Preference bonds	124	50	115
52	88	45	Shares in securities funds	45	88	52
390	688	544	Other commitments	694	802	528
22 744	21 975	22 845	Total credit risk	24 074	23 153	24 073
1 930	1 938	2 063	Operational risk	2 410	2 151	2 151
			Market risk			
-1 124	-1 142	-1 133	Deductions from the calculation basis	-1 191	-1 247	-1 190
23 549	22 770	23 774	Total calculation basis	25 293	24 057	25 034
			Capital adequacy ratio			
16,2 %	14,9 %	16,0 %	Core capital adequacy	14,9 %	13,8 %	15,1 %
16,2 %	14,9 %	16,0 %	Capital adequacy ratio	14,9 %	13,8 %	15,1 %

*The Bank has deducted the entire reset non-amortised estimate deviation related to the pension liability. We have not used the transitional rules here.

Note 13: Events after the balance sheet date

Sparebanken Hedmark takes over as the new owner of Consis AS.

On Monday, 18 April 2011, Sparebanken Hedmark took over all the shares in the finance and accounting chain Consis AS. Consis AS consists of 47 offices and 350 employees, and it is one of Norway's leading providers and developers of finance and accounting services. The group's head office is in Tynset, and the chain operates throughout most of Norway. Sparebanken Hedmark has been the main banker for Consis AS, which has experienced severe financial and liquidity challenges in recent months.



Phone
02999

E-mail

Private customer centre: kundesenter@sparebanken-hedmark.no

Corporate customer centre: bedrift@sparebanken-hedmark.no

Internet banking

sparebanken-hedmark.no

Corporate Management

Strandgata 15, Box 203, N-2302 Hamar

Organisation: NO 920 426 530