



4. quarter 2011

Quarterly Report

Fourth quarter 2011

Norwegian and international economy

In spite of the weak performance in Europe, global growth is estimated to be around 3 per cent in 2011. There has been lower growth in many parts of the eurozone. The deep-rooted problems associated with European state finances have impacted the financial markets. The problems in Italy as the third largest borrower in the world have in particular aggravated the level of turbulence in the third and fourth quarters. In December the EU states agreed on an inter-governmental treaty to adopt austerity measures among the member states and expand the EU bailout fund. This has not yet been enough to reassure the markets.

The international unrest has contributed to dampening economic growth in Norway. Interest rates have fallen throughout the last quarter. The short-term money market rate, 3-month NIBOR, was 3,1 per cent on average in the fourth quarter. The serious problems in the European capital markets have impacted the funding costs of Norwegian financial institutions. At the end of 2011 the credit spread for five-year financing was 1.9 per cent for Sparebanken Hedmark. At the end of the third quarter this spread was 1.7 per cent, while it was 0.8 per cent at the start of 2011.

Sparebanken Hedmark – Group

The Group prepares its financial statements in accordance with the IAS 34 accounting standard, Interim Financial Reporting.

The Group consists of Sparebanken Hedmark and the consolidated subsidiaries Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS, Vato AS and Consis AS.

The Bank owns 12 per cent of SpareBank 1 Gruppen AS and Bank 1 Oslo Akershus AS, as well as 8 per cent of SpareBank 1 Boligkreditt AS. The profit/loss attributable to these companies is recognised in the Bank's consolidated financial statements proportionate to the Bank's ownership interest.

The Group's profit before tax totalled NOK 539 million in 2011. The profit before tax was NOK 779 million in 2010.

The decline in profit is attributed primarily to extraordinary income related to the card and payment transfer company Nordito AS in 2010 and higher result contribution from SpareBank 1 Gruppen AS. In addition, the financial statements for 2011 include extraordinary costs related to the Bank's profitability enhancement programme.

Specification of the consolidated profit in NOK million:

Parent Bank's profit before tax	537
Dividends received from subsidiaries and associates	-108
Profit/loss attributable to:	
SpareBank 1 Gruppen AS	59
Bank 1 Oslo Akershus AS	9
SpareBank 1 Boligkreditt AS	7
Hedmark Eiendom AS	8
SpareBank 1 Finans Østlandet AS	38
Consis AS	-12
Other companies	1
Consolidated profit before tax	539
Tax	130
Consolidated profit after tax	409

Profit for the year after tax of NOK 409 million corresponds to a return on equity of 7.4 per cent. The corresponding figures for 2010 were NOK 635 million and 12.6 per cent.

The accounting chain Consis AS was consolidated in the financial statements for the fourth quarter. The Bank acquired this company with effect from 1 May. This means that the accounts for the fourth quarter are not comparable with the fourth quarter of 2010. The Group's profit after tax was NOK 66 million in the fourth quarter, compared with NOK 109 million in 2010. NOK 25 million was set aside in the quarterly financial statements in connection with the Bank's profitability enhancement programme.

Gross lending to customers, including loans transferred to SpareBank 1 Boligkreditt AS, totalled NOK 44.6 billion at the end of 2011. At the end of the year the total balance for loans transferred to the alliance's mortgage covered bond company was NOK 9.9 billion, which corresponds to 22.1 per cent of the combined volume. Including transferred loans, the Group's lending growth was 6.8 per cent for 2011, compared with 7.7 per cent for 2010.

Customer deposits totalled NOK 25.9 billion as at 31 December 2011. The growth in deposits was 7.6 per cent, compared with 4.3 per cent in 2010. Deposits financed 74.5 per cent of the Group's gross lending at the end of the year.

Debt to credit institutions and debt securities issued totalled NOK 10.6 billion as at 31 December 2011, which represents a decline from NOK 11.3 billion at the end of 2010. The average maturity of the Bank's market funding was 3.2 years as at 31 December 2011.

The Bank had adequate liquidity reserves for ordinary operations for more than 18 months at the end of the year. In the opinion of the Board of Directors, the Bank's liquidity risk is moderate to low.

The Group's equity totalled NOK 5.6 billion as at 31 December 2011. This represents 12.9 per cent of the Group's unweighted balance sheet.

Sparebanken Hedmark – Parent Bank

Results

Profit after tax totalled NOK 537 million in 2011, compared with NOK 665 million in 2010. The profit corresponded to 1.27 per cent of the average total assets, compared with 1.57 per cent in 2010.

Profit after tax totalled NOK 404 million. The profit after tax was NOK 525 million in 2010. This corresponds to a return on equity of 7.8 per cent after tax. The corresponding figure for 2010 was 10.8 per cent.

Net interest income

Net interest income totalled NOK 871 million in 2011, compared with NOK 821 million in 2010. The net interest income as a percentage of the average total assets was 2.07 per cent, compared with 1.97 per cent in 2010. The relative net interest income increased in 2011, primarily as a result of a lower liquidity balance with Norges Bank, elimination of the guarantee fund tax and the reduced need for market funding. The Parent Bank's interest margin was 2.43 per cent in 2011, compared with 2.55 per cent in 2010. At the end of the fourth quarter in 2011 the Bank's interest margin was somewhat higher than at the start of the quarter.

Net commission income

Net commission income was NOK 196 million in 2011, compared with NOK 207 million in 2010. The financial statements for 2010 included extraordinary income of NOK 9 million. The Bank's commission income from the mortgage covered bond company was NOK 4 million lower in 2011 than in 2010. This decline is attributed to the lower margin for loans transferred to SpareBank 1 Boligkreditt AS, which is recognised as a commission.

Net profit from ownership interests and dividends

Net profit from investments in associated companies, joint ventures and group companies was NOK 108 million in 2011, compared with NOK 63 million in 2010. Dividends from other investments totalled NOK 22 million, compared with NOK 38 million in 2010.

Net profit from other financial assets and liabilities

Net profit from other financial assets and liabilities was NOK 50 million in 2011, compared with NOK 197 million in 2010. A capital gain of NOK 111 million was recognised in 2010 in connection with the merger between the Danish company PBS Holding AS and Nordito AS (BBS and Teller). The Bank's securities debt and fixed-income investments are assessed at fair value through profit and loss pursuant to IAS 39, and changes in the market value are recognised in profit and loss. This accounted for an overall positive impact on the profit of NOK 36 million in 2011. In 2010 this accounted for an overall positive impact on the profit of NOK 62 million.

Operating expenses

The Parent Bank's combined operating expenses totalled NOK 665 million in 2011, compared with NOK 613 million in 2010. The operating expenses for 2011 include provisions and other costs related to the Bank's profitability enhancement programme DRIV totalling NOK 35 million.

In addition, expenses of NOK 7 million have been recognised in connection with the Bank's establishment of new offices in Lillehammer and Gjøvik in Oppland County.

After adjustment for these expenses the Bank's expenses are NOK 10 million or 1.6 per cent higher in 2011 than in 2010. The combined operating expenses represent 53.3 per cent of the total income.

Losses on loans and guarantees

Net losses on loans and guarantees were NOK 45 million in 2011, compared with NOK 48 million in 2010. This can be broken down into NOK 5 million in the retail market and NOK 40 million in the corporate market.

The net losses in 2011 represent 0.1 per cent of gross lending, which is the same percentage as in 2010.

Lending

Gross lending to customers including loans transferred to SpareBank 1 Boligkreditt AS totalled NOK 41.7 billion as at 31 December 2011, compared with NOK 39.4 billion at the end of 2010. Lending growth, including loans transferred to SpareBank 1 Boligkreditt AS, was 5.7 per cent in 2011, compared with 7.3 per cent in the previous year. In 2011 growth in the retail market was 7.7 per cent, compared with 8.2 per cent in 2010. Growth in the corporate market was 1.4 per cent in 2011, compared with 5.2 per cent in 2010. As at 31 December 2011 the Bank had transferred a lending volume of NOK 9.9 billion to SpareBank 1 Boligkreditt AS, which is an increase from NOK 7.9 billion at the end of 2010.

The Financial Supervisory Authority of Norway tightened up the guidelines for proper lending practices for home mortgage loans in the fourth quarter. The Bank has also tightened up its credit practices as a result of this. The risk profile for the Bank's granting of credit has not otherwise changed during the year.

Deposits from customers

Deposits from customers totalled NOK 26.0 billion at the end of the year, compared with NOK 24.2 billion one year earlier. The growth in deposits was 7.6 per cent in 2011, compared with 4.4 per cent in 2010. The deposit-to-loan ratio, measured as customer deposits in relation to gross on-balance-sheet lending, was 81.7 per cent at the end of 2011.

Capital adequacy

The capital adequacy ratio was 16.3 per cent as at 31 December 2011. At the end of 2010 the capital adequacy ratio was 16.2 per cent. The Parent Bank's equity of NOK 5.3 billion consists entirely of retained earnings and represents 12.3 per cent of the balance sheet.

Outlook for 2012

The debt problems in Europe will probably impact 2012 as well. Expectations of weaker international growth will also have an impact on the economy at home. Significant real wage growth is expected in Norway in 2012, and this may have a positive effect on consumption. The outlook is deemed to be uncertain overall.

Hamar, 26. January 2012

Board of Directors of Sparebanken Hedmark

Income Statement (Not Audited)

Parent Bank				Group		
2009	2010	2011 (NOK million)	Notes	2011	2010	2009
1 896	1 779	1 937	Interest income	2 037	1 875	1 994
1 154	958	1 066	Interest expenses	1 066	957	1 151
742	821	871	Net interest income	971	918	843
187	220	218	Commission income	217	220	186
36	35	31	Commission expenses	45	48	45
40	22	9	Other operating income	113	79	93
191	207	196	Net commission and other income	285	251	234
10	38	22	Dividends	22	38	10
271	63	108	Net profit from ownership interests	76	124	-64
128	197	50	Net profit from other financial assets and liabilities	50	197	128
409	298	180	Net income from financial assets and liabilities	148	359	74
1 342	1 326	1 247	Total net income	1 404	1 528	1 151
263	323	357	Personnel expenses	446	369	308
297	290	308	Other operating expenses	369	330	335
560	613	665	Total operating expenses	815	699	643
782	713	582	Profit before losses	589	829	508
136	48	45	Losses on loans and guarantees	6	50	146
646	665	537	Profit/loss before tax	539	779	362
97	140	133	Tax charge	130	144	111
549	525	404	Results for the accounting period	409	635	251

Statement of comprehensive income according to IAS 1

549	525	404	Results for the accounting period	409	635	251
52	12	-113	Actuarial gains / losses on pensions	-133	11	60
-14	-3	32	Tax effect of actuarial gains / losses on pensions	38	-3	-16
120	67	-54	Change in value of financial assets available for sale	-54	67	120
-18	5	-7	Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value	-7	5	-18
6	-111	7	Financial assets available for sale transferred to profit and loss on realisation	7	-111	6
			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			
146	-30	-135	Total profit and loss items recognised in equity	-149	-38	125
695	495	269	Total profit / loss for the accounting year	260	597	376

Balance sheet (Not Audited)

Parent Bank					Group		
2009	2010	2011 (NOK million)		Noter	2011	2010	2009
ASSETS							
1 081	995	372	Cash and deposits with central banks		372	995	1 081
1 798	2 054	3 010	Loans to and receivables from credit institutions		364	57	152
32 187	31 567	31 816	Gross loans to and receivables from customers	5	34 786	33 942	34 232
-192	-216	-211	- Individual write-downs		-223	-231	-224
-137	-95	-102	- Write-downs of groups of loans		-112	-102	-144
31 858	31 256	31 503	Net loans to and receivables from customers		34 451	33 609	33 864
4 180	4 531	5 235	Certificates, bonds and fixed-income funds		5 235	4 531	4 180
295	270	376	Financial derivatives	7	376	270	295
534	359	312	Shares, units and other equity interests		312	359	534
579	1 009	1 100	Investments in associates and joint ventures		1 329	1 272	743
305	305	364	Investments in subsidiaries				
2			Assets held for sale			2	3
269	257	249	Property, plant and equipment		272	279	289
89	86	110	Goodwill and other intangible assets		186	90	92
90	85	77	Deferred tax asset		80	87	93
89	125	163	Other assets	8	278	201	165
41 169	41 332	42 871	Total assets		43 255	41 752	41 491
LIABILITIES							
5 109	3 837	3 010	Deposits from and liabilities to credit institutions		3 008	3 836	5 108
23 187	24 208	26 042	Deposits from and liabilities to customers	9	25 907	24 083	23 081
7 487	7 430	7 598	Liabilities arising from issuance of securities	10	7 598	7 430	7 487
194	215	225	Financial derivatives	7	225	215	194
113	129	83	Current tax liabilities		88	142	124
530	495	641	Other debt and liabilities recognised in the balance sheet	11	879	721	738
36 620	36 314	37 599	Total liabilities		37 705	36 427	36 732
EQUITY CAPITAL							
4 337	4 840	5 133	Primary capital		5 133	4 840	4 337
73	78	93	Endowment fund		93	78	73
139	100	46	Fund for unrealised gains		46	100	139
			Other equity		278	307	210
4 549	5 018	5 272	Total equity capital		5 550	5 325	4 759
41 169	41 332	42 871	Total liabilities and equity capital		43 255	41 752	41 491

Change in equity capital

Parent Bank

(NOK million)	Earned equity			Total equity capital
	Balance primary capital	Endowment fund	Fund for unrealised gains	
Equity at 1 January 2009	3 782	57	31	3 870
Total comprehensive income	587		108	695
Donations distributed from profit 2008	-6			-6
Grants from endowment fund in 2009		-9		-9
Transfer to endowment fund in 2009	-25	25		0
Equity at 31 December 2009	4 337	73	139	4 549
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	323		-54	269
Donations distributed from profit 2010	-5			-5
Grants from endowment fund in 2011		-10		-10
Transfer to endowment fund in 2011	-25	25		0
Equity at 31 December 2011	5 133	93	46	5 272

Group

(NOK million)	Earned equity				Total equity capital
	Balance primary capital	Endowment fund	Fund for unrealised gains	Other equity capital	
Equity at 1 January 2009	3 782	57	31	528	4 398
Total comprehensive income	587		108	-318	376
Donations distributed from profit 2008	-6				-6
Grants from endowment fund in 2009		-9			-9
Transfer to endowment fund in 2009	-25	25			0
Equity at 31 December 2009	4 337	73	139	210	4 759
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	323		-54	-9	260
Direct recognition in equity in associated companies and joint ventures				-24	-24
Donations distributed from profit 2010	-5				-5
Grants from endowment fund in 2011		-10			-10
Transfer to endowment fund in 2011	-25	25			0
Equity at 31 December 2011	5 133	93	46	278	5 550

Results from the quarterly accounts

Group

(Isolated figures in NOK million)	4.q. 2011	3.q. 2011	2.q. 2011	1.q. 2011	4.q. 2010	3.q. 2010	2.q. 2010	1.q. 2010	4.q. 2009
Interest income	542	518	497	480	493	488	457	437	433
Interest expenses	296	274	253	243	251	256	235	215	206
Net interest income	246	244	244	237	242	232	222	222	227
Commission income	55	55	53	54	58	57	59	46	57
Commission expenses	11	12	10	12	12	12	12	12	11
Other operating income	66	18	16	13	20	19	17	23	31
Net commission and other income	110	61	59	55	66	64	64	57	77
Dividends	0	2	20	0	1	1	36		1
Net profit from ownership interests	30	5	17	24	38	37	29	20	12
Net profit from other financial assets and liabilities	-2	66	4	-18	11	-5	119	72	75
Net income from financial assets and liabilities	28	73	41	6	50	33	184	92	88
Total net income	384	378	344	298	358	329	470	371	392
Personnel expenses	152	106	93	95	96	103	96	74	88
Other operating expenses	124	80	91	74	95	73	80	82	101
Total operating expenses	276	186	184	169	191	176	176	156	189
Profit before losses	108	192	160	129	167	153	294	215	203
Losses on loans and guarantees	26	12	22	-10	32	3	-8	23	27
Profit/loss before tax	82	180	138	139	135	150	302	192	176
Tax charge	16	59	22	33	26	12	58	48	30
Results for the accounting period	66	121	116	106	109	138	244	144	146

Cash flow statement

Parent Bank				Group		
2009	2010	2011	(NOK million)	2011	2010	2009
2 325	1 987	1 270	Cash flow from lending operations (A)	824	1 809	2 201
103	500	1 212	Cash flow from deposit operations (B)	1 208	481	107
115	-72	-568	Cash flow from investments in securities (C)	-568	-72	115
-124	-208	-844	Cash flow from deposits in credit institutions (D)	-190	145	108
-451	-505	-545	Remaining cash flow from current operations (E)	-842	-616	-534
1 968	1 702	525	Cash flow from operations (A+B+C+D+E=F)	432	1 747	1 997
-2 336	-1 665	-1 110	Cash flow from financing activities (G)	-1 039	-1 665	-2 337
-591	-161	33	Cash flow from investments in fixed assets (H)	-7	-206	-619
		-62	Liquidity effect of acquisition and sale of subsidiaries(I)			
-959	-124	-614	Change in cash and cash equivalents (F+G+H+I)	-614	-124	-959
2 104	1 145	1 021	Cash and cash equivalents at 1 January	1 021	1 145	2 104
1 145	1 021	407	Cash and cash equivalents at the end of the period	407	1 021	1 145
Cash and cash equivalents at the end of the period comprise:						
1 081	995	372	Cash and deposits with central banks	372	995	1 081
64	26	35	Deposits etc. at call with banks	35	26	64
1 145	1 021	407	Cash and cash equivalents at the end of the period	407	1 021	1 145

Key figures for the Group

Profit and Loss Account summary (NOK million and as % of average assets)	2011		2010		2009	
	Amount	%	Amount	%	Amount	%
Net interest income	971	2,29 %	918	2,18 %	843	1,98 %
Net commissions and other (non-interest) income	285	0,67 %	251	0,60 %	234	0,55 %
Net income from financial investments	148	0,35 %	359	0,85 %	74	0,17 %
Total income	1 404	3,30 %	1 528	3,63 %	1 151	2,70 %
Total operating expenses	815	1,92 %	699	1,66 %	643	1,51 %
Result before losses	589	1,39 %	829	1,97 %	508	1,19 %
Losses on loans and guarantees	50	0,12 %	50	0,12 %	146	0,34 %
Result before tax	539	1,27 %	779	1,85 %	362	0,85 %
Tax charge	130	0,31 %	144	0,34 %	111	0,26 %
Result after tax	409	0,96 %	635	1,51 %	251	0,59 %
Profitability						
Return on equity capital before tax		9,8 %		15,5 %		8,0 %
Return on equity capital after tax		7,4 %		12,6 %		5,5 %
Return on equity capital of total result after tax		4,7 %		11,8 %		8,3 %
Total operating costs in relation to total income		58,0 %		45,7 %		55,9 %
Total operating costs in rel. to total income excl. income from financial investments		64,9 %		59,8 %		59,7 %
From the Balance Sheet						
Gross loans to customers	34 786		33 942		34 232	
Gross loans to customers including SpareBank 1 Boligkreditt	44 646		41 793		38 796	
Deposits from customers	25 907		24 083		23 081	
Deposits from customers in relation to gross loans to customers		74,5 %		71,0 %		67,4 %
Lending growth during the last 12 months		2,5 %		-0,8 %		-1,4 %
Lending growth in last 12 months including SpareBank 1 Boligkreditt		6,8 %		7,7 %		5,9 %
Deposit growth during the last 12 months		7,6 %		4,3 %		3,0 %
Average assets	42 483		42 053		42 516	
Assets	43 255		41 752		41 491	
Losses and commitments in default						
Losses on loans as a percentage of gross loans		0,1 %		0,1 %		0,4 %
Commitments in default as a percentage of total commitments		1,1 %		1,0 %		1,3 %
Other bad and doubtful commitments as a percentage of total commitments		1,1 %		1,2 %		0,6 %
Net commitment in default and commitments with loss provisions as a percentage of total commitments		1,6 %		1,6 %		1,4 %
Financial strength						
Capital adequacy ratio		14,7%		15,1 %		14,1 %
Core capital ratio		14,7%		15,1 %		14,1 %
Net core capital	3 898		3 785		3 484	
Net equity and related capital	5 550		5 325		4 759	

Notes to the accounts

Note 1: Accounting principles

The financial statements for Sparebanken Hedmark comprise the period 01.01-31.12.2011. 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 have been some minor changes in the Group's composition during the period from 1 January 2011 to 31 December 2011. The subsidiaries Meglereiendom AS and Sørums og Sjøberg AS, which were wholly owned subsidiaries of Hedmark Eiendom AS, have been liquidated.

On 18 April 2011 Sparebanken Hedmark acquired all the shares in the finance and accounting chain Consis AS. Consis AS consists of 47 financial offices and 115 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.

2010

Bank 1 Oslo Akershus 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 percent 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	2011					Total
	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Hedmark Eiendom	Other	
Net interest income	429	312	104	1	125	971
-of which internal items		78	-82	4		
Net commission and other income	141	48	-15	57	54	285
-of which internal items		2	-1	-1		
Net return on financial investments					148	148
Operating expenses*	236	85	47	50	397	815
Profit before losses by segment:	334	275	42	8	-70	589
Losses on loans and guarantees	5	40	5			50
Profit / loss per segment	329	235	37	8	-70	539

2011

Balance sheet	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Hedmark Eiendom	Other	Total
Gross lending to customers	18 583	12 407	3 000		796	34 786
-of which internal items						0
Individual loan write-downs	-51	-160	-12			-223
Collective loan write-downs	-31	-72	-9			-112
Other assets	80		107	130	8 487	8 804
Total assets per segment	18 581	12 175	3 086	130	9 283	43 255
Deposits from and liabilities to customers	16 659	7 726			1 522	25 907
-of which internal items		169		-126	-43	0
Other liabilities and equity	1 922	4 449	3 086	130	7 761	17 348
Total equity and liabilities per segment	18 581	12 175	3 086	130	9 283	43 255

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		
Net commission and other income		146	53	-13	54	10	251
-of which internal items			1	-1			
Net return on financial investments						359	359
-of which internal items							
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
Balance sheet							
Gross lending to customers	18 893	12 239	2 371		439	33 942	
-of which internal items							
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	

	2009					
	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Hedmark Eiendom	Other	Total
Income statement						
Net interest income	475	294	99	1	-26	843
-of which internal items		39	-45	6		
Net commission and other income	114	56	-9	52	21	234
-of which internal items		1	-1			
Net return on financial investments					74	74
Operating expenses*	241	77	35	50	240	643
Profit before losses by segment:	348	273	55	3	-171	508
Losses on loans and guarantees	18	117	11			146
Profit / loss per segment	330	156	44	3	-171	362
Balance sheet						
Gross lending to customers	19 982	11 638	2 044		568	34 232
-of which internal items						
Individual loan write-downs	-38	-154	-32			-224
Collective loan write-downs	-26	-111	-7			-144
Other assets	141	1 658	82	108	5 638	7 627
Total assets per segment	20 059	13 031	2 087	108	6 206	41 491
Deposits from and liabilities to customers	14 818	8 112			151	23 081
-of which internal items		106	-1	-103	-2	
Other liabilities and equity	5 241	4 919	2 087	108	6 055	18 410
Total equity and liabilities per segment	20 059	13 031	2 086	108	6 206	41 491

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

Note 4: Operating expenses

Parent Bank				Group		
2009	2010	2011		2011	2010	2009
263	323	357	Total personnel expenses	446	369	308
201	201	218	Administration expenses	246	225	224
38	28	26	Depreciation	32	31	41
8	9	9	Rent	18	10	10
13	16	16	Wealth tax	16	16	13
37	36	39	Other operating expenses	57	47	47
560	613	665	Total operating expenses	815	699	643

Note 5: Loans to and receivables from customers

Parent Bank				Group		
2009	2010	2011		2011	2010	2009
			Loans by type of receivable			
			Financial leasing	1 283	1 053	1 009
2 962	3 336	3 813	Overdraft facilities and operating credits	3 813	3 336	2 962
1 182	785	724	Building loans	724	785	1 182
27 957	27 353	27 181	Repayment loans	28 847	28 660	28 993
86	93	99	Accrued interest	119	108	86
32 187	31 567	31 816	Gross loans to and receivables from customers	34 786	33 942	34 232
329	311	313	Write-downs	335	333	368
31 858	31 256	31 503	Loans to and receivables from customers	34 451	33 609	33 864
			Loans by type of market			
20 764	19 431	19 490	Private customers	20 932	20 569	21 626
11 418	12 040	12 324	Corporate	13 762	13 310	12 565
5	3	1	Public sector	91	63	41
32 187	31 567	31 816	Gross loans to and receivables from customers	34 786	33 942	34 232
329	311	313	Write-downs	335	333	368
31 858	31 256	31 503	Loans to and receivables from customers	34 451	33 609	33 864
			Of which subordinated loan capital			
			Subordinated capital in credit institutions			
2			Other subordinated capital			2
2	0	0	Subordinated loan capital recorded as lending	0	0	2

Parent Bank				Group		
2009	2010	2011	Total commitments by sector and industry	2011	2010	2009
22 286	20 788	20 989	Private customers	22 431	21 891	23 125
5	3	1	Public sector	93	63	41
2 994	3 110	3 328	Primary industries	3 495	3 267	3 155
477	462	440	Paper and pulp industries	459	462	498
326	499	528	Other industry	638	647	428
1 233	1 023	1 110	Building and construction	1 421	1 305	1 559
119	110	111	Power and water supply	181	110	161
985	1 123	1 129	Wholesale and retail trade	1 384	1 307	1 224
211	221	215	Hotel and restaurants	220	221	218
5 666	5 098	5 197	Real estate	5 228	5 125	5 696
2 034	1 994	1 932	Commercial services	2 157	2 205	2 239
393	313	255	Transport and communications	530	526	656
8	29	86	Other	86	29	10
36 735	34 772	35 322	Total commitments by sector and industry	38 324	37 157	39 008

Parent Bank				Group		
2009	2010	2011	Gross loans by sector and industry	2011	2010	2009
20 764	19 473	19 490	Private customers	20 932	20 569	21 626
5	3	1	Public sector	91	63	41
2 715	2 779	2 960	Primary industries	3 123	2 936	2 876
285	403	386	Paper and pulp industries	404	403	296
263	366	371	Other industry	479	514	337
728	757	756	Building and construction	1 060	1 038	987
95	86	89	Power and water supply	157	86	137
791	799	799	Wholesale and retail trade	1 050	983	968
195	203	198	Hotel and restaurants	203	203	202
4 457	4 748	4 846	Real estate	4 877	4 775	4 480
1 624	1 685	1 729	Commercial services	1 950	1 895	1 807
259	237	189	Transport and communications	458	449	469
8	29	3	Other	3	29	8
32 187	31 567	31 816	Total gross loans by sector and industry	34 786	33 942	34 232

Parent Bank				Group		
2009	2010	2011	Individual write-downs by sector and industry	2011	2010	2009
44	46	52	Private customers	57	48	52
3	1	5	Primary industries	8	5	11
21	12	11	Paper and pulp industries	11	12	21
7	10	5	Other industry	5	15	12
6	28	27	Building and construction	28	29	8
1	2	1	Power and water supply	1	2	1
16	12	14	Wholesale and retail trade	14	13	17
15	16	12	Hotel and restaurants	12	16	15
46	50	54	Real estate	54	51	46
30	37	28	Commercial services	28	38	36
3	2	2	Transport and communications	5	2	5
192	216	211	Total individual write-downs by sector and industry	223	231	224

Note 6: Losses on loans and guarantees

Parent Bank				Group		
2009	2010	2011		2011	2010	2009
81	40	-4	Change in individual write-downs in the period	-6	23	85
37	-42	7	+ Change in collective write-downs in the period	9	-42	36
13	43	48	+ Realised losses on commitments previously written down	45	65	20
15	14	32	+ Realised losses on commitments not previously written down	41	13	16
10	7	38	- Recoveries on loans and guarantees previously written down*)	39	9	11
136	48	45	Total losses on loans and guarantees	50	50	146

*)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		
2009	2010	2011		2011	2010	2009
121	194	221	Individual write-downs to cover losses on loans and guarantees at 1 January	236	226	148
13	44	48	Realised losses in the period on loans and guarantees previously written down individually	58	66	20
24	20	22	Reversal of write-downs in previous years	27	26	32
27	12	25	Increase in write-downs on commitments previously written down individually	26	14	31
83	79	40	Write-downs on commitments not previously written down individually	51	88	99
194	221	216	Individual write-downs to cover losses on loans and guarantees at the end of period *)	228	236	226

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

Parent Bank				Group		
2009	2010	2011	Collective write-downs	2011	2010	2009
100	137	95	Collective write-downs to cover losses on loans and guarantees at 1 January	102	144	108
37	-42	7	Collective write-downs to cover losses on loans and guarantees in the period	10	-42	36
137	95	102	Collective write-downs to cover losses on loans and guarantees	112	102	144

Parent Bank				Group		
2009	2010	2011	Defaulted (more than 90 days) and doubtful commitments	2011	2010	2009
453	344	368	Defaulted commitments	424	390	518
234	434	418	Other doubtful commitments	420	441	247
687	778	786	Total defaulted and doubtful commitments	844	831	765
194	221	216	Individual write-downs	228	236	226
493	557	570	Net defaulted and doubtful commitments	616	595	539

Note 7: Financial derivatives

Parent Bank and Group

At fair market value through p & l account

	2011		
	Contract sum	Fair market value	
		Assets	Liabilities
Foreign exchange instruments			
Forward exchange contracts	1 839	41	26
Currency swap contracts	1 985	4	19
Total foreign exchange instruments	3 824	46	45
Interest rate instruments			
Interest rate swaps (inc. int. rate & currency)	10 606	317	177
Other interest rate contracts	430	12	
Total interest rate instruments	11 036	330	177
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	57		4
Total curr.- and int. rate instruments			
Total currency instruments	3 824	46	45
Total interest rate instruments	11 036	330	177
Total other financial derivatives	57	0	4
Total	14 917	376	225

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	
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 derivatives	67	0	12
Total	13 194	270	215

At fair market value through p & l account	2009		
	Contract sum	Fair market value	
		Assets	Liabilities
Foreign exchange instruments			
Forward exchange contracts	2 569	21	35
Currency swap contracts	1 480	15	5
Total foreign exchange instruments	4 049	36	40
Interest rate instruments			
Interest rate swaps (inc. int. rate & currency)	7 779	95	99
Other interest rate contracts	1 133	6	1
Total interest rate instruments	8 912	101	100
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	67		13
Total curr. and int. rate instruments			
Total currency instruments	4 049	36	40
Total interest rate instruments	8 912	101	100
Accrued interest *)		158	41
Total other financial instruments	67	0	13
Total	13 028	295	194

Note 8: Other assets

Parent Bank			Group		
2009	2010	2011	2011	2010	2009
10	13	13	13	13	10
38	75	82	84	75	52
17	22	22	22	22	17
24	15	46	159	91	86
89	125	163	278	201	165

Note 9: Deposits from and liabilities to customers

Parent Bank			Deposits by sector and industry	Group		
2009	2010	2011		2011	2010	2009
15 110	15 871	16 969	Private customers	16 969	15 871	15 110
2 165	2 122	2 514	Public sector	2 514	2 122	2 165
621	682	748	Primary industries	748	682	621
86	114	131	Paper and pulp industries	131	114	86
325	327	362	Other industry	362	327	325
408	409	454	Building and construction	454	409	408
228	215	252	Power and water supply	252	215	228
596	665	700	Wholesale and retail trade	700	665	596
76	81	97	Hotel and restaurants	97	81	76
1 349	1 333	1 324	Real estate	1 324	1 333	1 349
2 044	2 203	2 273	Commercial services	2 138	2 078	1 938
174	175	211	Transport and communications	211	175	174
5	5	5	Other operations	5	5	5
23 187	24 208	26 042	Total deposits by sector and industry	25 907	24 083	23 081

Note 10: Securities-related debt

Parent Bank and Group

Changes in liabilities from issuance of securities	31.12.11	Issued	Due / redeemed	Other changes	31.12.10
Certificate-based debt, nominal value	300	300	-900		900
Bond debt, nominal value	7 148	1 850	-1 136	30	6 404
Accrued interest	180			3	177
Adjustments	-30			21	-51
Total debt raised through issuance of securities, fair value	7 598	2 150	-2 036	54	7 430

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

Changes in liabilities from issuance of securities	31.12.09	Issued	Due / redeemed	Other changes	31.12.08
Certificate-based debt, nominal value	200	200	-1 506		1 506
Bond debt, nominal value	7 150	500	-1 275		7 925
Accrued interest	167			-38	205
Adjustments	-30			169	-199
Total debt raised through issuance of securities, fair value	7 487	700	-2 781	131	9 437

Note 11: Other debt and liabilities

Parent Bank			Other debt and liabilities recognised in the balance sheet	Group		
2009	2010	2011		2011	2010	2009
336	296	395	Pension liabilities	418	309	349
1	5	5	Guarantee provisions	5	5	1
26	16	12	Banker's drafts	12	16	26
20	29	34	Accounts payable	43	33	25
147	149	195	Other	401	358	337
530	495	641	Total other debt and liabilities recognised in the balance sheet	879	721	738

Note 12: Capital adequacy

Parent Bank				Group		
2009	2010	2011		2011	2010	2009
4 337	4 840	5 133	Primary capital	5 133	4 840	4 337
73	78	93	Endowment fund	93	78	73
139	100	46	Revaluation fund / equalisation reserve	46	100	139
			Other equity	278	307	210
4 549	5 018	5 272	Total equity carried	5 550	5 325	4 759
			Group companies not consolidated for capital adequacy purposes	-235	-283	-159
			Deductions:			
			Over-funding pension liability			
-69	-58	-106	Unrealised value change due to reduced / increased value of liabilities	-106	-58	-69
-179	-171	-187	Deferred tax, goodwill and other intangible assets	-266	-173	-183
-139	-100	-46	Net unrealised gains on shares available for sale	-46	-100	-139
			Capital adequacy reserve	-629	-576	-552
-649	-867	-913	Deduction for subordinated capital in other financial institutions	-370	-350	-173
-1 036	-1 196	-1 252	Total deductions	-1 417	-1 257	-1 116
			Additions:			
63	45	21	45 per cent of unrealised gain on shares classified as available for sale	21	45	63
-63	-45	-21	Deduction for subordinated capital in other financial institutions	-21	-45	-63
0	0	0	Total additions	0	0	0
3 513	3 822	4 020	Net subordinated capital	3 898	3 785	3 484
			Risk-weighted asset calculation basis:			
10	30	179	Local and regional authorities	180	30	10
			Publicly owned enterprises	14	8	3
2 233	2 293	2 136	Institutions	1 595	1 887	1 859
5 195	5 594	5 958	Companies	6 084	5 739	5 499
5 805	6 199	6 307	Mass market	8 074	7 602	6 829
8 068	7 522	7 576	Security in mortgaged property	7 576	7 522	8 068
455	549	528	Commitments due for repayment	578	591	490
10	116	143	Preference bonds	143	116	10
79	52	53	Shares in securities funds	53	52	79
716	389	839	Other commitments.	1 043	527	841
22 571	22 745	23 720	Total credit risk	25 340	24 073	23 688
1 753	1 930	2 063	Operational risk	2 410	2 151	2 054
			Market risk			
-858	-1 124	-1 173	Deductions from the calculation basis	-1 268	-1 190	-941
23 466	23 549	24 610	Total calculation basis	26 481	25 034	24 801
			Capital adequacy ratio			
15,0 %	16,2 %	16,3 %	Core capital adequacy	14,7 %	15,1 %	14,1 %
15,0 %	16,2 %	16,3 %	Capital adequacy ratio	14,7 %	15,1 %	14,1 %

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

Note 13: Events after the balance sheet date

Sparebanken Hedmark sold 40 per cent of the shares in the accounting chain Consis AS to SpareBank 1 SMN Regnskap AS on 2 January 2012. During the period that Sparebanken Hedmark has owned Consis AS, the Bank has cooperated with and exploited the expertise of SpareBank 1 SMN Regnskap AS. SpareBank 1 SMN Regnskap AS is a company that has considerable experience in this business area. The acquisition of the shares is subject to approval by the Financial Supervisory Authority of Norway.



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