

Note 22 - Measurement of fair value of financial instruments

With effect from 1 January 2009 the Group has implemented the changes in IFRS 7 related to financial instruments measured at fair value on the balance sheet date. The changes require presentation of fair-value measurements at the following levels of inputs:

- Prices quoted for similar instruments in an active market (level 1)
- Directly observable market inputs, either direct (price) or indirect (price-derived), other than Level 1 inputs (level 2)
- Inputs not based on observable market data (level 3)

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2011:

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	-	3,697	-	3,697
- Bonds and money market certificates	2,896	6,980	-	9,875
- Equity instruments	143	-	417	560
- Fixed interest loans	-	1,281	-	1,281
Financial assets available for sale				
- Equity instruments	-	-	51	51
Total assets	3,039	11,957	468	15,464
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	-	3,158	-	3,158
- Securities debt	-	15,704	-	15,704
- Subordinated debt	-	1,754	-	1,754
Total liabilities	-	20,616	-	20,616

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2010:

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	-	1,825	-	1,825
- Bonds and money market certificates	5,044	6,913	-	11,958
- Equity instruments	169	-	384	554
- Fixed interest loans	-	1,845	-	1,845
Financial assets available for sale				
- Equity instruments	-	-	64	64
Total assets	5,213	10,583	449	16,245
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	-	1,684	-	1,684
- Securities debt	-	16,940	-	16,940
- Subordinated debt	-	1,677	-	1,677
Total liabilities	-	20,301	-	20,301

The fair value of financial instruments that are traded in an active market is based on the market price on the balance sheet date. A market is regarded as active if the market prices are easily and regularly available from a stock exchange, trader, broker, industrial classification, quotation service or regulatory authority, and these prices represent actual and regularly occurring arms-length market transactions. The market price utilised for financial assets is the applicable buy price, for financial liabilities the applicable sell price is used. These instruments are included in level 1. Instruments included in level 1 are exclusively equity instruments quoted on the Oslo Stock Exchange and classified as held for trading or available for sale, and Treasury bills.

The fair value of financial instruments that are not traded in an active market (for example some OTC derivatives) is determined by means of valuation methods. These valuation methods maximise the use of observable data where such data are available, and rely as little as possible on the Group's own estimates. If all significant data that are needed in order to determine the fair value of an instrument are observable data, the instrument is included in level 2.

If one or several significant data items are not based on observable market data, the instrument is included in level 3.

Special valuation methods used to value financial instruments include:

- market prices or trader prices quoted for similar instruments
- fair value of interest rate swaps is calculated as the current value of estimated future cash flow based on observable yield curves
- fair value of forward contracts in foreign currency is determined by reference to the current value of the difference between the agreed forward price and forward price on the balance sheet date
- other techniques, such as the multiplier model, are used to determine fair value of the remaining financial instruments

The following table presents the changes in the instruments classified in level 3 as at 31 December 2011:

	Equity instruments	Total
Opening balance 1 January	449	449
Transferred to level 1 or 2	-23	-23
Investments in the period	43	43
Disposals in the period (at book value)	-1	-1
Gain or loss entered in income statement	-5	-5
Gain or loss recognised directly in comprehensive income	5	5
Closing balance 31 December	468	468

The following table presents the changes in the instruments classified in level 3 as at 31 December 2010:

	Equity instruments	Total
Opening balance 1 January	339	339
Investments in the period	15	15
Disposals in the period (at book value)	-5	-5
Gain or loss entered in income statement	91	91
Gain or loss recognised directly in comprehensive income	8	8
Closing balance 31 December	449	449

The total gain and loss for the period applies to assets owned on the balance sheet date.