

Note 23 - Fair value of financial instruments

Financial instruments measured at fair value

Financial instruments that are booked at fair value comprise shares, parts of the money market certificate and bond portfolio (classified at fair value), derivatives, and debt included in hedge accounting. For further details, note 2 IFRS Accounting principles, and note 4 Critical estimates and assessments concerning the use of accounting principles.

Financial instruments measured at amortised cost

Financial instruments that are not measured at fair value are recognised at amortised cost. For further details, see note 2 IFRS Accounting principles. Amortised cost entails valuing balance sheet items after initially agreed cash flows, adjusted for impairment.

Measurement at fair value will invariably be encumbered with uncertainty.

Measurement at fair value for items carried at amortised cost

Methods underlying the determination of fair value of financial instruments that are measured at amortised cost are described below:

Loans to and claims on customers

Current-rate loans are exposed to competition in the market, indicating that possible excess value in the portfolio will not be maintained over a long period. Fair value of current-rate loans is therefore set to amortised cost. The effect of changes in credit quality in the portfolio is accounted for through collectively assessed impairment write-downs, therefore giving a good expression of fair value in that part of the portfolio where individual write-down assessments have not been made.

Individual write-downs are determined through an assessment of future cash flow, discounted by effective interest rate. Hence the discounted value gives a good expression of the fair value of these loans.

Fixed interest loan in NOK are already valued at fair value in the accounts, and are not included in the estimates described above.

Bonds held to maturity and bonds for lending and claim purpose

Change to fair value is calculated by reference to a theoretical valuation of market value based on interest rate and spread curves.

Loans to and claims on credit institutions and Debt to credit institutions

For loans to and claims on credit institutions, as well as debt to credit institutions, fair value is estimated as equal to book value.

Securities debt and subordinated debt

Securities debt and subordinated debt are valued against valuation of market value based on interest rate and spread curves.

Parent bank

(NOK million)

Assets

	Book value 31.12.11	Fair value 31.12.11	Book value 31.12.10	Fair value 31.12.10	Book value 31.12.09	Fair value 31.12.09
Loans to and claims on credit institutions	5,033	5,033	2,894	2,894	2,477	2,477
Loans to and claims on customers at amortised cost	68,357	68,357	65,138	65,138	56,925	56,925
Loans to and claims on customers at fair value	2,012	2,012	1,845	1,845	1,912	1,912
Shares	546	546	625	625	563	563
Bonds at fair value	9,875	9,875	11,958	11,958	8,858	8,858
Bonds held to maturity	583	584	1,562	1,570	2,409	2,426
Bonds for lending and claim purpose	2,460	2,451	3,516	3,511	3,484	3,497
Derivatives	3,698	3,698	1,825	1,825	1,150	1,150
Total financial assets	92,564	92,557	89,363	89,366	77,779	77,808

Liabilities

Debt to credit institutions	6,232	6,232	8,743	8,743	6,992	6,992
Debt related to "swap" arrangement with the government	2,886	2,886	4,318	4,318	4,318	4,318
Deposits from and debt to customers	48,114	48,114	43,028	43,028	37,382	37,382
Securities debt at amortised cost	12,444	11,266	11,001	10,966	7,663	7,735
Securities debt at fair value	15,704	15,704	16,940	16,940	15,695	15,695
Derivatives	3,158	3,158	1,684	1,684	712	712
Subordinated debt at amortised cost	936	884	1,081	1,045	2,676	2,623
Subordinated debt at fair value	1,754	1,754	1,677	1,677	1,200	1,200
Total financial liabilities	91,228	89,998	88,473	88,401	76,637	76,657

Group

(NOK million)

Assets

	Book value 31.12.11	Fair value 31.12.11	Book value 31.12.10	Fair value 31.12.10	Book value 31.12.09	Fair value 31.12.09
Loans to and claims on credit institutions	2,557	2,557	420	420	153	153
Loans to and claims on customers at amortised cost	71,363	71,363	67,491	67,491	59,362	59,362
Loans to and claims on customers at fair value	1,281	1,281	1,845	1,845	1,912	1,912
Shares	611	611	618	618	505	505
Bonds at fair value	9,875	9,875	11,958	11,958	8,858	8,858
Bonds held to maturity	583	584	1,562	1,570	2,409	2,426
Bonds for lending and claim purpose	2,460	2,451	3,460	3,454	3,460	3,474
Derivatives	3,697	3,697	1,825	1,825	1,149	1,149
Total financial assets	92,426	92,419	89,178	89,179	77,809	77,840

Liabilities

Debt to credit institutions	6,232	6,232	8,743	8,743	6,992	6,992
Debt related to "swap" arrangement with the government	2,886	2,886	4,318	4,318	4,318	4,318
Deposits from and debt to customers	47,871	47,871	42,786	42,786	37,227	37,227
Securities debt at amortised cost	12,444	11,266	11,001	10,966	7,663	7,735
Securities debt at fair value	15,704	15,704	16,940	16,940	15,695	15,695
Derivatives	3,158	3,158	1,684	1,684	712	712
Subordinated debt at amortised cost	936	884	1,081	1,045	2,676	2,623
Subordinated debt at fair value	1,754	1,754	1,677	1,677	1,200	1,200
Total financial liabilities	90,985	89,755	88,230	88,159	76,483	76,503