

Note 27 - 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 3 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.

Parent bank				
(NOK million)	Book value 31.12.12	Fair value 31.12.12	Book value 31.12.11	Fair value 31.12.11
Assets				
Loans to and claims on credit institutions	5,619	5,619	5,033	5,033
Loans to and claims on customers at amortised cost	69,879	69,879	68,357	68,357
Loans to and claims on customers at fair value	2,585	2,585	2,012	2,012
Shares	354	354	331	331
Bonds at fair value	14,590	14,590	9,875	9,875
Bonds held to maturity	114	114	583	584
Bonds for lending and claim purpose	2,460	2,473	2,460	2,451
Derivatives	3,101	3,101	3,698	3,698
Total financial assets	98,702	98,715	92,349	92,342
Liabilities				
Debt to credit institutions	5,137	5,137	6,232	6,232
Debt related to "swap" arrangement with the government	2,273	2,273	2,886	2,886
Deposits from and debt to customers	53,187	53,187	48,114	48,114
Securities debt at amortised cost	14,968	15,084	12,444	11,266
Securities debt, hedging	15,292	15,044	15,704	15,647
Derivatives	2,790	2,790	3,158	3,158
Subordinated debt at amortised cost	1,470	1,449	936	884
Subordinated debt, hedging	1,570	1,572	1,754	1,798
Total financial liabilities	96,687	96,536	91,228	89,985
Group				
(NOK million)	Book value 31.12.12	Fair value 31.12.12	Book value 31.12.11	Fair value 31.12.11
Assets				
Loans to and claims on credit institutions	3,012	3,012	2,557	2,557
Loans to and claims on customers at amortised cost	72,358	72,358	71,363	71,363
Loans to and claims on customers at fair value	2,585	2,585	2,012	2,012
Shares	777	777	611	611
Bonds at fair value	14,590	14,590	9,875	9,875
Bonds held to maturity	114	114	583	584
Bonds for lending and claim purpose	2,460	2,473	2,460	2,451
Derivatives	3,100	3,100	3,697	3,697
Total financial assets	98,996	99,009	93,157	93,151
Liabilities				
Debt to credit institutions	5,137	5,137	6,232	6,232
Debt related to "swap" arrangement with the government	2,273	2,273	2,886	2,886
Deposits from and debt to customers	52,252	52,252	47,871	47,871
Securities debt at amortised cost	14,968	15,084	12,444	11,266
Securities debt, hedging	15,292	15,044	15,704	15,647
Derivatives	2,790	2,790	3,158	3,158
Subordinated debt at amortised cost	1,470	1,449	936	884
Subordinated debt, hedging	1,570	1,572	1,754	1,798
Total financial liabilities	95,751	95,600	90,985	89,742