

Note 27 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

Level 1: Valuation based on quoted prices in an active market

Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and Treasury bills.

Level 2: Valuation based on observable market data

Level 2 consists of instruments that are valued by the use of information that does not consist in quoted prices, but where the prices are directly or indirectly observable for the assets or liabilities concerned, and which also include quoted prices in non-active markets.

Level 3: Valuation based on other than observable data

If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2013:

| Assets (NOK million) | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|---------------|
| Financial assets at fair value through profit/loss | | | | |
| Derivatives | 111 | 2,939 | - | 3,050 |
| Bonds and money market certificates | 4,003 | 11,539 | - | 15,542 |
| Equity instruments | 67 | - | 909 | 976 |
| Fixed interest loans | - | - | 2,648 | 2,648 |
| Financial assets available for sale | | | | |
| Equity instruments | - | - | 40 | 40 |
| Total assets | 4,181 | 14,477 | 3,597 | 22,256 |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities through profit/loss | | | | |
| Derivatives | 334 | 1,961 | - | 2,295 |
| Total liabilities | 334 | 1,961 | - | 2,295 |

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2012:

| Assets (NOK million) | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|---------------|
| Financial assets at fair value through profit/loss | | | | |
| Derivatives | 34 | 3,066 | - | 3,100 |
| Bonds and money market certificates | 3,764 | 10,825 | - | 14,590 |
| Equity instruments | 131 | - | 601 | 731 |
| Fixed interest loans | - | - | 2,585 | 2,585 |
| Financial assets available for sale | | | | |
| Equity instruments | - | - | 46 | 46 |
| Total assets | 3,929 | 13,892 | 3,231 | 21,051 |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities through profit/loss | | | | |
| Derivatives | 33 | 2,757 | - | 2,790 |
| Total liabilities | 33 | 2,757 | - | 2,790 |

The following table presents the changes in the instruments classified in level 3 as at 31 December 2013:

| (NOK million) | Fixed interest loans | Equity instruments through profit/loss | Equity instruments available for sale | Total |
|---------------------------------------|----------------------|--|---------------------------------------|--------------|
| Opening balance 1 January | 2,585 | 601 | 46 | 3,231 |
| Investment in periode | 413 | 388 | - | 801 |
| Disposals in the periode | -343 | -151 | - | -495 |
| Gain or loss on financial instruments | -6 | 72 | -6 | 61 |
| Closing balance 31 December | 2,648 | 909 | 40 | 3,597 |

The following table presents the changes in the instruments classified in level 3 as at 31 December 2012:

| (NOK million) | Fixed interest loans | Equity instruments through profit/loss | Equity instruments available for sale | Total |
|---------------------------------------|----------------------|--|---------------------------------------|--------------|
| Opening balance 1 January | 2,012 | 422 | 46 | 2,480 |
| Investment in periode | 814 | 174 | - | 988 |
| Disposals in the periode | -293 | -6 | - | -299 |
| Gain or loss on financial instruments | 51 | 11 | - | 62 |
| Closing balance 31 December | 2,585 | 601 | 46 | 3,231 |