

Note 28 - 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, bond portfolio (classified at fair value) and derivatives. 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 in a hedging relationship

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

Financial instruments that are in a hedging relationship are recorded at fair value excluding credit risk.

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, see note 2 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)	2013		2012	
	Book value	Fair value	Book value	Fair value
Assets				
Loans to and claims on credit institutions	4,000	4,000	5,619	5,619
Loans to and claims on customers at amortised cost	74,340	74,340	69,836	69,836
Loans to and claims on customers at fair value	2,690	2,690	2,627	2,627
Shares	492	492	354	354
Bonds at fair value	15,542	15,542	14,590	14,590
Bonds held to maturity	-	-	114	114
Bonds for lending and claim purpose	1,345	1,352	2,460	2,473
Derivatives	3,051	3,051	3,101	3,101
Total financial assets	101,459	101,466	98,702	98,715
Liabilities				
Debt to credit institutions	5,159	5,159	5,137	5,137
Debt related to "swap" arrangement with the government	1,220	1,220	2,273	2,273
Deposits from and debt to customers	56,531	56,531	53,187	53,187
Securities debt at amortised cost	14,738	14,874	14,968	15,084
Securities debt, hedging	19,024	18,984	15,292	15,044
Derivatives	2,295	2,295	2,790	2,790
Subordinated debt at amortised cost	2,349	2,377	1,470	1,449
Subordinated debt, hedging	955	954	1,570	1,572
Total financial liabilities	102,271	102,393	96,687	96,536

Group (NOK million)	2013		2012	
	Book value	Fair value	Book value	Fair value
Assets				
Loans to and claims on credit institutions	1,189	1,189	3,012	3,012
Loans to and claims on customers at amortised cost	77,612	77,612	72,316	72,316
Loans to and claims on customers at fair value	2,690	2,690	2,627	2,627
Shares	1,030	1,030	777	777
Bonds at fair value	15,542	15,542	14,590	14,590
Bonds held to maturity	-	-	114	114
Bonds for lending and claim purpose	1,345	1,352	2,460	2,473
Derivatives	3,050	3,050	3,100	3,100
Total financial assets	102,458	102,465	98,996	99,009
Liabilities				
Debt to credit institutions	5,159	5,159	5,137	5,137
Debt related to "swap" arrangement with the government	1,220	1,220	2,273	2,273
Deposits from and debt to customers	56,074	56,074	52,252	52,252
Securities debt at amortised cost	14,738	14,874	14,968	15,084
Securities debt, hedging	19,024	18,984	15,292	15,044
Derivatives	2,295	2,295	2,790	2,790
Subordinated debt at amortised cost	2,349	2,377	1,470	1,449
Subordinated debt, hedging	955	954	1,570	1,572
Total financial liabilities	101,815	101,937	95,751	95,600