

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 on IFRS Accounting principles, and note 3 on critical estimates and assessments concerning the use of accounting principles.

Financial instruments measured at amortised cost and 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 on 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 loans in NOK are recognised at fair value, please refer to note 2 on IFRS accounting principles, 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)	2014		2013	
	Book value	Fair value	Book value	Fair value
Assets				
Loans to and claims on credit institutions	4,362	4,362	4,000	4,000
Loans to and claims on customers at amortised cost	83,377	83,377	74,340	74,340
Loans to and claims on customers at fair value	3,310	3,310	2,690	2,690
Shares	257	257	492	492
Bonds at fair value	14,110	14,110	15,542	15,542
Bonds for lending and claim purpose	-	-	1,345	1,352
Derivatives	6,766	6,766	3,051	3,051
Total financial assets	112,182	112,182	101,459	101,466
Liabilities				
Debt to credit institutions	9,118	9,118	5,354	5,354
Debt related to "swap" arrangement with the government	-	-	1,220	1,220
Deposits from and debt to customers	61,177	61,177	56,336	56,336
Securities debt at amortised cost	11,610	11,710	14,738	14,874
Securities debt, hedging	21,022	21,333	19,024	18,984
Derivatives	5,722	5,722	2,295	2,295
Subordinated debt at amortised cost	2,349	2,406	2,349	2,377
Subordinated debt, hedging	1,006	1,021	955	954
Total financial liabilities	112,005	112,486	102,271	102,393

Group

(NOK million)	2014		2013	
	Book value	Fair value	Book value	Fair value
Assets				
Loans to and claims on credit institutions	1,287	1,287	1,189	1,189
Loans to and claims on customers at amortised cost	87,029	87,029	77,612	77,612
Loans to and claims on customers at fair value	3,310	3,310	2,690	2,690
Shares	708	708	1,030	1,030
Bonds at fair value	14,110	14,110	15,542	15,542
Bonds for lending and claim purpose	-	-	1,345	1,352
Derivatives	6,674	6,674	3,050	3,050
Total financial assets	113,119	113,119	102,458	102,465
Liabilities				
Debt to credit institutions	9,118	9,118	5,354	5,354
Debt related to "swap" arrangement with the government	-	-	1,220	1,220
Deposits from and debt to customers	60,655	60,655	55,879	55,879
Securities debt at amortised cost	11,610	11,710	14,738	14,874
Securities debt, hedging	21,022	21,333	19,024	18,984
Derivatives	5,722	5,722	2,295	2,295
Subordinated debt at amortised cost	2,349	2,406	2,349	2,377
Subordinated debt, hedging	1,006	1,021	955	954
Total financial liabilities	111,483	111,964	101,815	101,937