

Note 28 - Fair value of financial instruments at amortised cost

Financial instruments measured at amortised cost

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 Accounting principles. Amortised cost entails valuing balance sheet items after initially agreed cash flows, adjusted for impairment.

Amortised cost will not always be equal to the values that are in line with the market assessment of the same financial instruments. This is due to different perceptions of market conditions, risk and discount rates.

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 for loans in stage 2 and 3. The effect of changes in credit quality in the portfolio is accounted for through expected credit loss write-downs, therefore giving a good expression of fair value. Impairment for Stage 3 losses 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. For loans without significant increase in credit risk since initial recognition (stage 1) the fair value has been set at nominal amount.

Bonds held to maturity

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, debt to credit institutions and debt to customers

For loans to and claims on credit institutions, as well as debt to credit institutions and deposits from customers, fair value is estimated equal to amortised cost.

Securities debt and subordinated debt

The calculation of fair value in level 2 is based on observable market values such as on interest rate and spread curves where available.

Parent Bank		31 Dec 2018		31 Dec 2017	
(NOK million)	Level 1)	Book value	Fair Value	Book value	Fair Value
Assets					
Loans to and claims on credit institutions	2	11,178	11,178	9,543	9,543
Loans to and claims on customers at amortised cost	3	46,897	46,972	101,490	101,490
Earned income, not yet received	2	67	67	61	61
Account receivable, securities	2	7	7	35	35
Total financial assets at amortised cost		58,149	58,244	111,129	111,129
Liabilities					
Debt to credit institutions	2	8,546	8,546	9,047	9,047
Deposits from and debt to customers	2	81,448	81,448	77,362	77,362
Securities debt at amortised cost	2	10,256	10,237	11,003	11,040
Securities debt, hedging	2	34,013	32,284	31,191	31,472
Subordinated debt at amortised cost	2	1,854	1,850	1,102	1,104
Subordinated debt, hedging	2	370	363	1,057	1,060
Account payable, securities	2	699	699	-1	-1
Total financial liabilities at amortised cost		137,185	135,426	130,712	131,084

Group		31 Dec 2018		31 Dec 2017	
(NOK million)		Book value	Fair Value	Book value	Fair Value
Assets					
Loans to and claims on credit institutions	2	5,074	5,074	4,214	4,214
Loans to and claims on customers at amortised cost	3	53,967	54,052	107,680	107,680
Earned income, not yet received	2	86	86	104	104
Account receivable, securities	2	277	277	322	322
Total financial assets at amortised cost		59,403	59,488	112,320	112,320
Liabilities					
Debt to credit institutions	2	9,214	9,214	9,607	9,607
Deposits from and debt to customers	2	80,615	80,615	76,476	76,476
Securities debt at amortised cost	2	10,256	10,237	11,003	11,040
Securities debt, hedging	2	34,013	32,284	31,191	31,472
Subordinated debt at amortised cost	2	1,898	1,893	1,144	1,148
Subordinated debt, hedging	2	370	363	1,057	1,060
Account payable, securities	2	809	809	161	161
Total financial liabilities at amortised cost		137,175	135,415	130,638	130,963

¹⁾ Fair value is determined by using different methods in three levels. See note 26 for a definition of the levels.