

Note 26 - 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 IFRS 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. 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.

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

(NOK million)	Level 1)	31 Dec 2020		31 Dec 2019	
		Book value	Fair Value	Book value	Fair Value
Assets					
Loans to and claims on credit institutions	2	12,901	12,901	9,181	9,181
Loans to and claims on customers at amortised cost	2	45,169	45,260	41,105	41,173
Earned income not yet received	2	135	135	107	107
Accounts receivable, securities	2	11	11	13	13
Total financial assets at amortised cost		58,216	58,307	50,406	50,474
Liabilities					
Debt to credit institutions	2	12,630	12,630	7,585	7,585
Deposits from and debt to customers	2	98,166	98,166	86,870	86,870
Securities debt at amortised cost	2	10,750	10,619	9,440	9,425
Securities debt, hedging	2	33,301	33,300	33,573	33,374
Subordinated debt at amortised cost	2	1,752	1,752	1,831	1,826
Subordinated debt, hedging	2	-	-	216	212
Lease liabilities	2	303	303	347	347
Debt from securities	2	13	13	9	9
Total financial liabilities at amortised cost		156,915	156,783	139,872	139,649

Group (NOK million)		31 Dec 2020		31 Dec 2019	
		Book value	Fair Value	Book value	Fair Value
Assets					
Loans to and claims on credit institutions	2	5,091	5,091	2,110	2,110
Loans to and claims on customers at amortised cost	2	54,086	54,193	49,351	49,431
Earned income not yet received	2	185	185	132	132
Accounts receivable, securities	2	678	678	292	292
Total financial assets at amortised cost		60,040	60,147	51,886	51,966
Liabilities					
Debt to credit institutions	2	13,095	13,095	8,853	8,853
Deposits from and debt to customers	2	97,529	97,529	85,917	85,917
Securities debt at amortised cost	2	10,750	10,619	9,440	9,425
Securities debt, hedging		33,301	33,300	33,573	33,374
Subordinated debt at amortised cost	2	1,795	1,795	1,874	1,869
Subordinated debt, hedging	2	-	-	216	212
Lease liabilities	2	479	479	505	505
Debt from securities	2	568	568	197	197
Total financial liabilities at amortised cost		157,517	157,385	140,576	140,352

¹⁾ Fair value is determined by using different methods in three levels. See note 25 for a definition of the levels