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 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 model-based 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.

Loans to and claims on credit institutions, Earned income not yet received, Accounts receivable, securities, Debt to credit institutions, Deposits from and debt to customers and Debt from securities

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 2021		31 Dec 2020	
(NOKm)	Level 1)	Book value	Fair Value	Book value	Fair Value
Assets					
Loans to and claims on credit institutions	2	13,190	13,190	12,901	12,901
Loans to and claims on customers at amortised cost	2	48,434	48,525	45,169	45,260
Earned income not yet received	2	152	152	135	135
Accounts receivable, securities	2	20	20	11	11
Total financial assets at amortised cost		**61,796**	**61,887**	**58,216**	**58,307**
Liabilities					
Debt to credit institutions	2	14,340	14,340	14,629	14,629
Deposits from and debt to customers	2	112,028	112,028	98,166	98,166
Securities debt at amortised cost	2	8,871	8,870	8,619	8,619
Securities debt, hedging	2	31,461	31,460	33,301	33,300
Subordinated debt at amortised cost	2	1,753	1,752	1,752	1,752
Subordinated debt, hedging	2	-	-	-	-
Lease liabilities	2	262	262	303	303
Debt from securities	2	157	157	13	13
Total financial liabilities at amortised cost		**168,871**	**168,870**	**156,915**	**156,783**

Group

(NOKm)	Level 1)	31 Dec 2021 Book value	31 Dec 2021 Fair Value	31 Dec 2020 Book value	31 Dec 2020 Fair Value
Assets					
Loans to and claims on credit institutions	2	4,704	4,704	5,091	5,091
Loans to and claims on customers at amortised cost	2	58,637	58,744	54,086	54,193
Earned income not yet received	2	186	186	185	185
Accounts receivable, securities	2	300	300	678	678
Total financial assets at amortised cost		**63,828**	**63,935**	**60,040**	**60,147**
Liabilities					
Debt to credit institutions	2	15,063	15,063	15,094	15,094
Deposits from and debt to customers	2	111,286	111,286	97,529	97,529
Securities debt at amortised cost	2	8,871	8,870	8,619	8,619
Securities debt, hedging	2	31,461	31,460	33,301	33,300
Subordinated debt at amortised cost	2	1,796	1,796	1,795	1,795
Subordinated debt, hedging	2	-	-	-	-
Lease liabilities	2	476	476	479	479
Debt from securities	2	351	351	568	568
Total financial liabilities at amortised cost		**169,304**	**169,302**	**157,517**	**157,385**

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