31 Fair value methodology (continued)

31.10 Fair value of assets and liabilities at amortised cost (continued)

	Restated[i] 2022				
	Level 1	Level 2	Level 3	Total fair value	Total carrying value
As at 31 December	£m	£m	£m	£m	£m
Liabilities:					
Subordinated liabilities and other borrowings	—	6,416	6	6,422	7,537

i The comparative amounts have been restated for the first time adoption of IFRS 17 and IFRS 9. See Note 1.2.1 for further information.

The estimated fair value of subordinated liabilities are based on the quoted market offer price. The fair value of the liabilities in the tables above have been estimated from the discounted cash flows expected to be received or paid. Where appropriate, an observable market interest rate has been used and the assets and liabilities are classified within level 2. Otherwise, they are included as level 3 assets or liabilities.

32 Risk management and sensitivity analysis

32.1 Risk overview

The Group's business involves the acceptance and management of risk. The Group's risk management process is governed by the Risk Management Framework (RMF). The RMF is designed to manage risk within agreed appropriate levels, aligned to delivering its strategy and creating long-term value for clients and shareholders. Risk management is the process of identifying, assessing, managing and reporting current and emerging risks, supported by embedded risk culture and strong governance. Effective risk management enables better decision-making and safeguards its ability to meet commitments to its shareholders, customers and clients, comply with regulation, manage disruption and protects its reputation. For more information on the RMF, please refer to page 58.

Risk appetite is the amount and type of risk that the Group is willing to accept in pursuit of its business objectives, and is approved by the Board. The risk appetite statements and limits specify the risk appetite and tolerance to take on risk. The statements and thresholds are aligned to the business model and strategy and cover significant financial and non-financial risks. For more information on risk appetite and limits please refer to page 59.

A number of risk factors affect the Group's results and financial position. The financial risk categories affecting the Group's financial instruments and insurance assets and liabilities are set out below:

Risk type	Definition
Market risk	The risk of loss or adverse change in the financial situation of the business or that of the Group's customers and clients resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets and liabilities.
Credit risk	The risk of loss or adverse change in the financial situation of the business, or that of the Group's customers and clients, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event, such as downgrade or spread widening.
Insurance risk	The risk of loss, or of adverse change in the financial situation of the business, or that of the Group's customers and clients, resulting from changes in the level, trend or volatility of the following: – Morbidity/Mortality risk: the risk of unexpected impact resulting from adverse morbidity and/or mortality experience. – Persistency risk: the risk of unexpected impact resulting from an adverse persistency experience. – Expenses and margin pricing: the risk of unexpected impact resulting from adverse expense experience. – Longevity: the risk of unexpected impact resulting from adverse longevity experience.
Liquidity risk	The risk that the Group and/or its business are unable to meet financial obligations (eg claims, creditors and collateral calls) as they fall due because they do not have or are unable to generate sufficient liquid assets. Fund liquidity risk is the risk of being unable to meet liabilities arising from a mismatch in liquidity of the underlying assets and the frequency of liability requirements of the fund.

These risks are described in more detail in the following sections.

The Group's exposure to risks arising from financial instruments and insurance assets and liabilities is different for each component of the Group's business. The Group's consolidated statement of financial position is presented below for the different components of business.