24 November 2025

Life insurance stress test highlights M&G plc's financial resilience

M&G plc notes the publication today of the Prudential Regulation Authority ("PRA") results of its sector-wide 2025 Life Insurance Stress Test ("LIST"). M&G plc participated through its in-scope entity, the Prudential Assurance Company Ltd ("PAC").

Under the LIST, the PRA assessed large life insurers' resilience to a three-stage, evolving market stress using year-end 2024 balance sheets as a starting point (details of which are set out below).

Under this three-stage stress scenario, the M&G plc Group Shareholder ratio, our primary measure of financial strength, would decrease from 223% to 171% (as of 31 December 2024), remaining well within our long-term target range of 160-190%, and highlighting our financial resilience even under severe financial stress.

The PRA's assessment focused on PAC, with PAC continuing to be sufficiently capitalised on a Shareholder and Regulatory basis. In the PRA's three-stage stress scenario, the PAC Shareholder ratio would decrease from 214% to 151% (as of 31 December 2024), with the Regulatory ratio, which excludes the surplus within the With-Profits fund (£3.8bn as of 31 December 2024, at the end of the stress scenario), decreasing from 157% to 122% (as of 31 December 2024).

Further details of the PRA's approach to the stress test and the detailed results in relation to all participating institutions are available from the PRA website.

Notes to editors:

The LIST exercise is one of the PRA's key priorities for 2025, with the objectives being to assess sector and firm resilience to adverse scenarios, strengthen market understanding, and improve insight into potential risk management vulnerabilities.

The PRA prescribed core scenario assesses a Life insurer's resilience to a three stage, evolving market stress using year-end 2024 balance sheets as a starting point.

- Stage 1: assumes an instantaneous market shock, including interest rates lower by 150bps, a 30% fall in equity markets, and a significant widening of credit spreads. No trading of assets is permitted.
- Stage 2: real estate values are significantly lower (28% for residential and 30% for commercial), and there is further deterioration in credit markets including downgrades and defaults. Trading of assets remains prohibited, other than in derivatives to restore matching.
- Stage 3: credit spreads start to narrow. No further deterioration in market conditions is assumed. Some trading of assets to rebalance portfolios is allowed. No capital raising is permitted at any stage of the test.

M&G plc Group and PAC key metrics are set out below using year-end 2024 balance sheets as a starting point (tables show Base level and after Stage 3 Stress):

M&G plc Group	Shareholder		With-Profits		Regulatory	
	Base	Stress	Base	Stress	Base	Stress
Own Funds (£bn)	8.5	6.7	8.9	8.0	11.6	10.9
SCR (£bn)	3.8	3.9	3.1	4.2	6.9	8.1
Surplus (£bn)	**4.7**	**2.8**	**5.8**	**3.8**	**4.7**	**2.8**
S2 ratio (%)[(i)]	**223%**	**171%**	**284%**	**191%**	**168%**	**135%**

(i) S2 ratio (%) is defined as Own Funds / SCR, and has been calculated using unrounded figures.

Prudential Assurance Company (PAC)	Shareholder		With-Profits		Regulatory	
	Base	Stress	Base	Stress	Base	Stress
Own Funds (£bn)	6.6	4.9	8.9	8.0	9.7	9.1
SCR (£bn)	3.1	3.2	3.1	4.2	6.2	7.4
Surplus (£bn)	**3.5**	**1.7**	**5.8**	**3.8**	**3.5**	**1.7**
S2 ratio (%)[(i)]	**214%**	**151%**	**284%**	**191%**	**157%**	**122%**

- *(i) S2 ratio (%) is defined as Own Funds / SCR, and has been calculated using unrounded figures.*

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Additional Information

M&G plc, a company incorporated in the United Kingdom, is the ultimate parent company of The Prudential Assurance Company Limited (PAC). PAC is not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America or Prudential plc, an international group incorporated in the United Kingdom.

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1. As at 31 December 2024