

Background

In 2022, we collaborated with peer banks under the UNEP-FI Principles of Responsible Banking (UNEP-FI PRB) alliance, co-leading a working group that developed a set of standard indicators for financial health and financial inclusion for banks. Following this, we started piloting the application of some of these indicators in the Netherlands, Spain and Romania.

In the Netherlands, this included starting a context assessment and a baseline analysis on several of the indicators. Through these pilots we aim to improve our customer segmentation and targeting of financial health actions.

ING has 8 million customers in the Netherlands¹. The Netherlands is the first market for which we are determining a clearer picture of our customers' financial health. We are doing this through an analysis of our customer base, considering priority groups to empower with financial health activities, identifying relevant indicators related to those groups and activities, and by performing baseline measurements. Below we will present an overview of prioritised groups and corresponding indicators to which we expect our activities will contribute. For financial health activities our current focus is on individual customers.

Prioritised groups for financial health activities for ING in the Netherlands

For ING in the Netherlands our focus for financial health is on all primary digital customers², referred to as 'customers' hereafter. Within this group there are five groups that we are exploring to determine priorities: Gen Z customers³, customers with money worries, customers having difficulties making ends meet, customers without sufficient financial resilience, and customers without sufficient financial planning⁴. These groups were chosen for exploration based on our ING data, general financial health statistics and trends in the Netherlands, and the views of key external stakeholders, such as Nibud. For the use of ING data, we carefully observe and follow data privacy rules and principles for the ethical use of data.

¹ The total number of ING customers is approximately 38 million in over 40 countries. The Netherlands has almost 18 million inhabitants.

² Primary digital customers have at least two active ING products. One of these should be a current account into which they deposit regular income. The total number of ING primary (digital) customers is almost 15 million globally. The focus for financial health activities is on this group as we expect to be able to make the biggest impact on them.

³ Generation Z (Zoomers) can be defined as those born between 1997 and 2012. ING NL's focus for FH activities is on those between 16 and 26 (1997-2007).

⁴ A prioritized group is a group that due to certain socio-economic characteristics is more likely to need greater attention or support from banks to achieve financial health and/or financial inclusion. Banks can identify a prioritized group based on the available disaggregated data from a core set of indicators. Such data can be disaggregated by different socio-economic characteristics such as gender, age, location, income level, disabilities, education level, type of business, or economic sector. To help select which characteristics to use, banks should consider prioritization or vulnerabilities that are already identified in the context in which the bank operates.

Customer groups being analysed (ING NL)	Context (NL)	Corresponding indicator (ING NL)
Customers in age range of 16 to 26 (subset of Gen Z).	Young adults in NL score particularly high compared to others in terms of financial distress ⁵	See CS000 in next table
Customers experiencing multiple payment declines in past year (money worries)	About 8% of households in NL are registered as having problematic debts ⁶ .	See CS018 in next table
Customers with difficulty making ends meet	About 37% of households have difficulty making ends meet (49% under young adults) ⁷	See CS001 in next table
Customers without sufficient liquid financial assets to cover a three-month reduction/loss in income in the subsequent months (financial resilience)	Over 20% of households in NL have less than €2,500 in liquid financial assets. 35% cannot cover a three-month reduction/loss in income in the subsequent months ⁸ (even 55% if an unexpected extra expense would occur).	See CS006 in next table
Customers with no products connected to long-term saving and investment plans (future provisions)	24% of working people in NL do not save for their pension next to the first pillar ⁹ . One-third of people in NL do not make any financial plans at all ¹⁰ .	See CS010 in next table

⁵ Source: Nibud, 'Rondkomen en betalingsproblemen' (November 2022) and Deloitte, ING and others, 'title of upcoming report' (February/March 2023).

⁶ Source: CBS, <https://dashboards.cbs.nl/v3/SchuldenproblematiekInBeeld/>

⁷ Source: Nibud, 'Rondkomen en betalingsproblemen' (November 2022). Percentages refer to year 2022. In that report these percentages refer to the self-reported answers to the question "Can you make ends meet?" (In Dutch: "Kunt u rondkomen?") being either "very hard", "hard" or "more difficult than easy".

⁸ Source: Authority Financial Markets (NL), 'Korte termijn financiële weerbaarheid van huishoudens' (2020).

⁹ Source: Dutch Central Bank, 'Werkenden zonder pensioenopbouw' (August 2022). First pillar is for state pension. Second is the supplementary work-related pension. Third consists of the private individual pension products that each person can arrange for him-/herself. Fourth is sometimes also counted and includes money from savings, investments and from own house or company.

¹⁰ Sources: Deloitte, ING and others, 'In balans, samen op weg naar een financieel gezond Nederland' (November 2021) and Nationale Coalitie Financiële Gezondheid, 'Plan van Oprichting' (November 2022)

UNEP- FI financial health indicators¹¹ being explored in the Netherlands

Currently we are in the process of analysing 2022 data to be able to determine which indicators are most relevant and the baseline measurements for these. Following that process we will consider which indicators (and for which groups) could be used to steer progress on financial health. We expect to finalise this process during 2023.

UNEP-FI Ref #	Indicator	Definition	Output/ Outcome/ Impact ¹²	Normative Direction
CS000 (or B3.1)	% of individual ING customers in the age range of 16 to 26 that improve their financial skills	Assessment based. Measures the % of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Can be measured on individuals benefitting from the bank's financial education initiatives.	Impact	More is an improvement
CS001 (or B4.2)	% of customers for which spending exceeded 90% of inflows for more than 6 months last year	Measures the % of customers for which spending exceeded 90% of inflows for more than 6 months in the year compared to the total number of customers.	Impact	Less is an improvement
CS018	% of customers experiencing 8 or more payment declines in the last year	Measures the % of customers experiencing 8 or more payment declines in last year. Applies to both credit and debit products when used for payments, not for withdrawals.	Outcome	Less is an improvement
CS006	% of customers with sufficient liquid financial assets to cover a 3-month loss in income	Measures the % of customers with sufficient liquid financial assets to cover a three-month reduction/loss in income in the subsequent months after measurement. Liquid assets include savings products, FTDs, fiduciary products, investment portfolios, available balance in credit card, available overdraft, preapproved loans. By income we mean all types of inflows, not just salary but excluding transfers between accounts.	Impact	More is an improvement
CS010 (or B4.4)	% of customers with products connected to long-term saving and investment plans	Measures the % of customers with products connected to long-term saving and investment plans.	Impact	More is an improvement

In ING's Annual Report 2022 several ongoing projects are mentioned related to how we empower our customers financial health. Currently, existing and new projects are being assessed based on their expected impact on the identified groups and measured by UNEP-FI indicators. ING plans to share further content on financial health during 2023¹³.

¹¹ A full list of UNEP-FI financial health and financial inclusion indicators can be accessed via [this link](#).

¹² The theory of change approach / Pathway to Impact considers the desired results (output, outcome and impact) of the actions we take as a bank. The classification per indicator was made by the UNEP-FI working group on FH and FI. Output: Deliverable from the actions taken. Outcome: What happens as a result of the actions and their outputs. Impact: The positive impacts achieved and the negative impacts avoided, mitigated, and/or compensated as a result of the bank's practice.

¹³ The UN and the Signatories of the Commitment to FH and FI aim to jointly present a report on the Progress of Signatories around 1 July 2023.