Financial Health Indicator

Understanding the impact of our offerings on the financial health of our customers in The Netherlands

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ING

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Content

1. Balancing prosperity and sustainability: the role of financial health in the Netherlands

The Dutch happiness paradox

The Netherlands ranks **5th** in the 2025 *UN World Happiness Report*[1], reflecting the country's strong performance in prosperity, social cohesion, life expectancy, and freedom of choice — a testament to the nation's high quality of life. However, this present-day success contrasts with its **24th**-place ranking on the 2024 *UN Sustainable Development Index*[2], which measures progress towards the 17 Sustainable Development Goals (SDGs). This disparity might suggest an overemphasis on immediate individual well-being, rather than future collective resilience.

Notably, 3 countries appear in the **top 5 of both rankings**, demonstrating that sustainability and happiness do not need to be mutually exclusive. This challenges the assumption that investing in tomorrow means sacrificing prosperity today. Instead, it underscores the need for a balanced approach — one that financial institutions like ING are uniquely positioned to promote.

Shaping the future: the strategic role of banks

As custodians of hundreds of billions in customer assets, banks play a **pivotal role in allocating capital** to initiatives that harmonise economic growth with societal and environmental priorities. At ING, every lending decision integrates **creditworthiness and sustainability**, reflecting our dual commitment to current financial health and long-term systemic resilience.

ING's approach is guided by formal commitments to global frameworks, including:

- The Principles for Responsible Banking (PRB)[3], ensuring our strategy and practice align with the Sustainable Development Goals and the Paris Climate Agreement.
- The PRB's Net-Zero Banking Alliance[4], aligning our lending portfolio with the Paris Agreement's climate goals.
- The PRB's Financial Health & Inclusion commitment[5], which includes measuring and target setting to improve financial health.
- Co-founding the Dutch National Financial Health Coalition[6], aiming to halve the number of financially vulnerable households in the Netherlands by 2030 (compared to 2022).

These initiatives recognise that **financial stability is the bedrock of sustainable progress** — a principle that shapes our core convictions.

Conviction 1: Climate action requires financial incentives

Public support for sustainability hinges on aligning it with individual financial well-being. For instance, a 2023 study revealed that while 74%[7] were open to home insulation, only 4% cited climate concerns as their main motivator. A 2024 survey of ING Netherlands mortgage customers confirmed these results. Most people prioritise **lower energy bills, increased property value, or enhanced comfort** — factors directly tied to household economics.

This trend is echoed in broader research. A 2023 Bruegel study[8] found that **public backing for climate policies drops by 7.5%** when measures put a strain on personal finances. For the transition to net-zero to succeed, it must be **economically viable, politically sustainable, and financially attractive** — not only for consumers but also for shareholders, who expect climate strategies to align with sound business logic.

Conviction 2: Financial vulnerability undermines sustainability

Individuals facing financial strain lack the capacity to prioritise long-term environmental goals, despite the Netherlands' **low income inequality (Gini index: 28** [9]) and **GDP per capita comparable to the U.S.A.**[10] According to survey-based research in which income, expenses, saving, borrowing and planning were assessed for the short and long term, **47% of Dutch households** are financially vulnerable or unhealthy. Compounding this issue, financial health among young adults (aged 18–24) has **declined sharply**, falling from 18% in 2023 to just 12% in 2024 [11].

This reality illustrates a critical barrier: **those struggling to meet immediate needs cannot invest in a sustainable future**. As the adage goes, it is difficult to "act green when in the red."

1 https://wellbeingintl.org/world-happiness-report-2025/
2 https://sdgtransformationcenter.org/reports/sustainable-development-report-2024
3 https://www.unepfi.org/banking/bankingprinciples/
4 https://www.unepfi.org/net-zero-banking/
5 https://www.unepfi.org/banking/commitments/commitment-to-financial-health-and-inclusion/
6 https://ncfg.nl/
7 https://view.deloitte.nl/Sustainable-Housing-Landing-page
8 How sensitive are Europeans to income losses related to climate policies?
9 https://www.cbs.nl/nl-nl/nieuws/2024/27/inkomensongelijkheid-in-nederland-ruim-onder-het-eu-gemiddelde
10 https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?most_recent_value_desc=true
11 https://www.deloitte.com/nl/nl/about/press-room/47-percent-van-nederland-is-financieel-kwetsbaar.html

Toward an integrated approach

These convictions highlight the importance of financial health and its strong correlation with other societal issues, such as the effects of climate change. This explains **why** financial health is so important.

This study shifts the focus to the **how** and the **what** of financial health: how it is measured and what the most effective ways are for a bank to help its customers improve their financial health.

To answer these questions, this paper is structured as follows. First, we introduce the **Financial Health Indicator (FHI)** as a measurement framework. Next, we test the extent to which financial propositions influence the FHI, both positively and negatively. Finally, we present our conclusions and recommendations for future action.

2. Financial Health Indicator: a framework for measurement and strategic application

Introduction

The pursuit of financial health has emerged as a critical dimension of socio-economic stability and individual well-being. As defined by the United Nations Environment Programme Finance Initiative (UNEP-FI), **financial health encompasses four elements**: effective day-to-day financial management, resilience against financial shocks, capacity to reach future goals, and feeling secure and in control.

These elements collectively represent a holistic approach to financial well-being, where each element serves as both an indicator of current stability and a predictor of long-term prosperity.

ING's financial health measurement framework

Building upon the UNEP-FI definition and the foundational framework provided by the **Financial Health Network**[12] to measure financial health, ING Netherlands has developed a **quantifiable Financial Health Indicator** (FHI) designed to assess and monitor customer financial well-being.

This composite metric translates the UNEP-FI's conceptual pillars into five measurable components, each evaluated on a standardised scoring system incorporating UNEP-FI core-indicators[13] to measure financial health:

- **Daily Financial Management** assesses both the absence of financial stress (a) and the structural soundness of household budgets (b)
- **Financial Resilience** measures capacity to withstand economic shocks through adequate savings (c)
- **Debt Sustainability** evaluates borrowing practices against responsible thresholds (d)
- **Future Planning** examines goal-setting behaviours and financial confidence (e)

The methodology assigns 0-2 points per component, resulting in a total score range of 0-10. Thresholds for components a-c are based on UNEP-FI standards, while components d-e are based on benchmarks from the Dutch National Institute for Budget Information (Nibud). This synthesis of international and local standards ensures both global relevance and regional applicability.

Component	Metric	0 points	1 point	2 points
No money worries (a)	Number of missed payments in the last 12 months	≥ 8	3 - 7	≤ 2
Healthy budget (b)	Number of months with expenses ≤ 90% of inflow	≤ 2	3 - 5	≥ 6
Financial resilience (c)	Number of months that customers can overcome a loss of inflow	< 1	1 - 2	≥ 3
Sustainable debt load (d)	Monthly short-term debt versus inflow	> 30%	10% - 30%	≤ 10%
Plan for later (e)	Accumulation of assets as a percentage of inflow	≤ 0%	> 0% - < 10%	≥ 10% / ≥ € 50k

Classification and interpretation

The resulting outcome classifies individuals into one of four distinct financial health segments:

Stressed (<4 points): Marked by severe financial distress and limited capacity to meet obligations.
Vulnerable (4-5 points): Demonstrating marginal stability but significant exposure to financial shocks.
Coping (6-7 points): Maintaining basic financial functionality with moderate resilience.
Healthy (8-10 points): Exhibiting comprehensive financial well-being and readiness for the future.

[12] Ways to Engage Financial Health Measurement – Financial Health Network
[13] 08-PRB-Financial-Health-Indicators.pdf

Methodological considerations

While this framework provides a robust mechanism for financial health assessment, several material limitations should be considered:

The data set is limited to statistical samples of the approximately 4 million primary digital ING Netherlands customers, **excluding potential products held at other financial institutions**. In addition to this, this methodology does not include important elements to assess financial health **from a holistic perspective** such as homeownership and pension rights. Furthermore, the individual-level measurement approach may **not fully capture household financial dynamics**, particularly in multi-income or shared-expense environments.

European and Dutch privacy regulations r**ightfully impose additional constraints**, restricting analysis to macroeconomic applications and requiring measurement on small random statistical sample sets with aggregation to protect individual privacy. These regulatory parameters also prevent granular behavioural examination.

Strategic applications

Despite these limitations, **the FHI has the potential to serve as a powerful diagnostic tool** for **evaluating product efficacy and guiding strategic development**. By tracking cohort migration across health categories, ING can quantitatively assess how financial offerings influence customer groups' well-being. This measurement capability enables evidence-based product and proposition refinement, ensuring that our financial solutions genuinely enhance financial health (or conversely do not worsen it).

The framework's true utility lies in its capacity to transform abstract financial health concepts into actionable intelligence. Through systematic monitoring of proposition distributions and trends, ING can **identify emerging vulnerabilities, validate intervention strategies**, and ultimately fulfil its commitment to responsible banking practices.

Longitudinal assessment of customer financial health: distribution is relatively stable

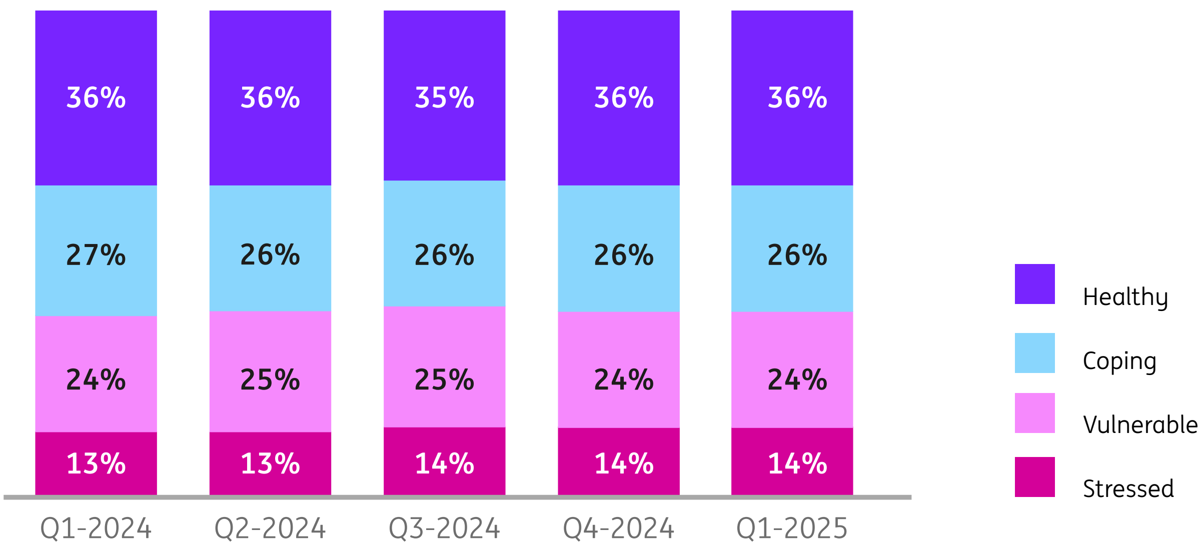

Figure 1: Distribution of financial health based on statistical sample-based analysis.

Figure 1 **presents an overview of the financial health distribution** among ING Netherlands' primary mobile customers aged 18 years and above, measuring cohort performance at portfolio level over time. The data indicates that approximately 38% of our customer base resides in suboptimal financial health categories, with 14% classified as Stressed and 24% as Vulnerable. Of particular note is the relative stability of these proportions across the measurement period, suggesting structural rather than transient characteristics in these segments.

Contradictory / complementary findings: customers move between categories

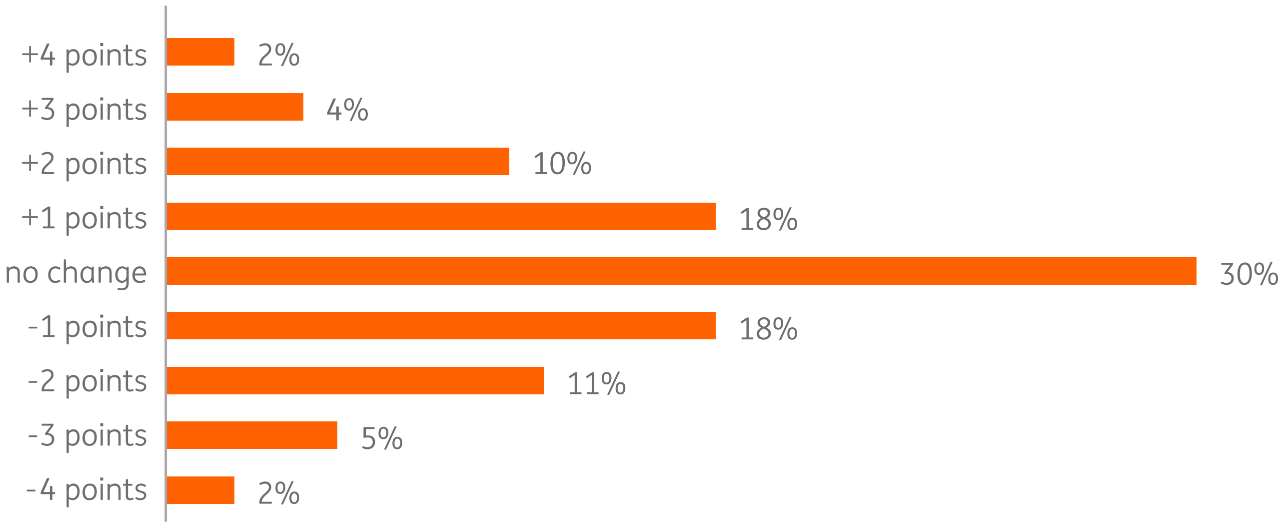

Figure 2: % of customers who experienced a Financial Health Indicator increase/decrease between Dec '23 and Dec '24 based on statistical sample-based analysis.

Figure 2 **provides a more nuanced understanding of the underlying dynamics.** While the aggregate distribution appears stable, the data demonstrates that, while 30% of customers at portfolio level maintained identical scores year-on-year, the majority (70%) experienced measurable changes in financial health status. This volatility manifests in near-symmetrical movement, with comparable proportions of customers experiencing improvement versus deterioration in their Financial Health Indicator.

Our goal is to use this methodology to prevent decline and promote improvement by developing and enhancing our propositions.

3. ING's financial health propositions: increasing positive outcomes

Introduction

ING has developed and launched several customer propositions designed to enhance financial health — benefiting individuals, society, and the bank itself. The value of our financial health measurement framework lies in its **ability to empirically assess two critical dimensions** of these initiatives:

- **Target Audience Reach:** The extent to which financially vulnerable or stressed customers adopt the proposition.
- **Impact Efficacy:** The measurable effect of sustained usage on customers' financial health indicator.

This dual-axis evaluation enables ING to r**efine product offerings**, optimise generic **marketing spend**, and **maximise societal value creation**.

Proposition portfolio overview

Figure 3 presents an analysis mapping reach versus impact of new users, revealing several critical insights: four key financial health propositions and one combination of propositions have been analysed:

- **Investments:** Comprising both a self-directed selection of stocks, bonds, and funds, as well as professionally managed asset portfolios, both of which are available to customers starting from a EUR 10 investment, this proposition aims to facilitate long-term wealth accumulation. While statistically significant in improving financial health, adoption remains concentrated among more financially secure segments.
- **Automatic Savings:** This feature enables scheduled savings transfers, institutionalising consistent saving behaviour. Adopters demonstrated substantial financial health improvements, with stressed customers increasing scores by 0.63 points and vulnerable customers by 0.52 points over 12 months.
- **Goal-based Savings:** Customisable savings vehicles tied to specific objectives (e.g. education and major purchases) show strong market penetration but moderate impact relative to automatic savings.
- **Round-up Savings:** A behavioural economics-inspired tool that rounds up transactions to the nearest euro and deposits the difference into savings. Despite its intuitive appeal, initial data suggests counterintuitive negative health impacts among target users.
- **Goal-based Savings and Automatic Savings:** A combination of saving features promoted in a smart saving journey to encourage consistent savings behaviour. This combination of effective propositions leads to a compounded positive outcome.

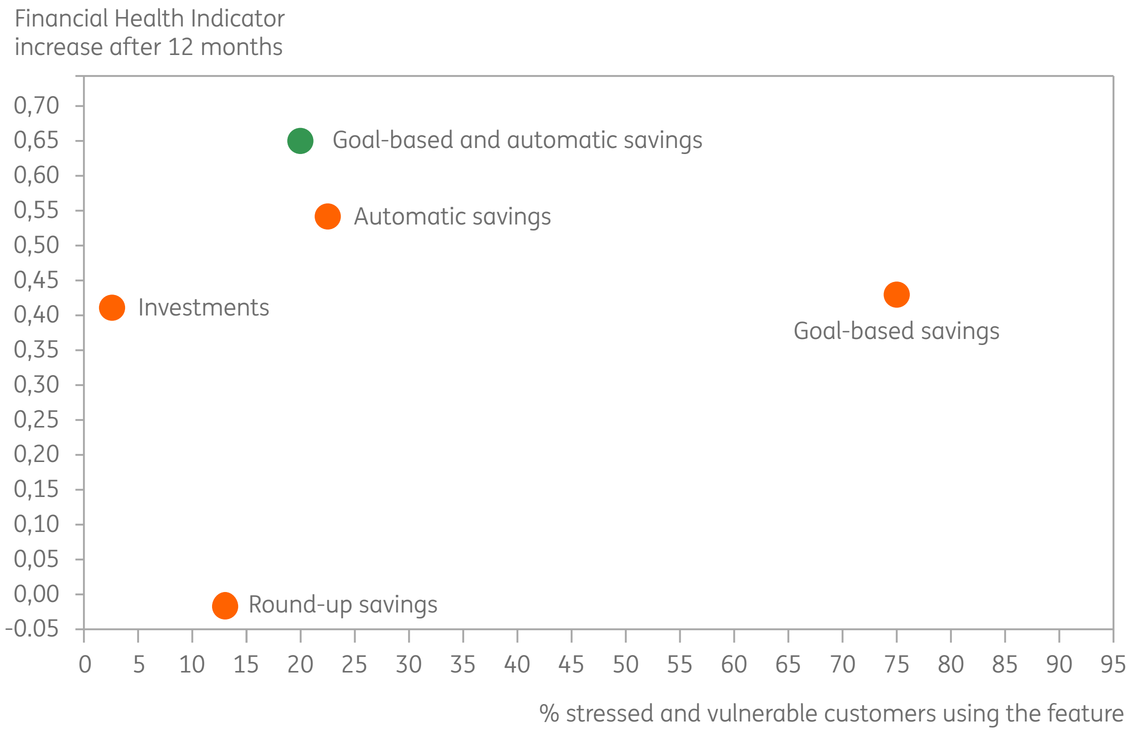

Figure 3: Overview of propositions to improve financial health based on statistical sample-based analysis.

Conclusion

This analytical approach transforms product evaluation from assumption-based to evidence-driven. Key priorities emerging from the analysis include:

- **Boosting behaviour:** Combining high-impact features (Automatic Savings) with widely adopted ones (Goal-based Savings)
- **Iterative redesign:** Addressing the Round-up Savings paradox through rapid prototyping and A/B testing
- **Segmented accessibility:** Developing tiered investment products aligned with the financial and risk capacity of different customer groups, in particular vulnerable customers.

The framework's true power lies in its capacity to identify not just what works, but also for whom and under what conditions — enabling ING to progressively optimise both financial inclusion and business sustainability. For example, "Automatic Savings" and "Investments" are proven initiatives in terms of contributing to financial health. The challenge here is to improve the reach towards and adoption by the target groups. Conversely "Round-up Savings" is a proposition that hardly seems to enhance customers' financial health, which could require a revision of the proposition.

4. Mitigating negative impacts on financial health

Introduction

In addition to developing propositions that enhance financial health, ING is proactively addressing products that may adversely affect customers' financial well-being. Through careful analysis and strategic adjustments, we **aim to minimise harmful outcomes while maintaining access to essential financial services**.

Analysis of high-risk lending products

We evaluated two lending products with potentially negative effects on the Financial Health Indicator: overdrafts and consumer loans. Both products **inherently influence financial health by increasing customers' debt burden relative to income and reducing their capacity to save**. In regard to overdraft: despite not being promoted, the measurable effect of consistent usage on the customer groups' Financial Health Indicator has been researched.

Key findings from impact assessment

Overdrafts and consumer loans result in a lower Financial Health Indicator by elevating debt-to-income ratios, which is a direct methodological effect of the way the Financial Health Indicator is constructed. Customers prioritising credit repayment often reduce savings, compounding the negative effect. Figure 4 presents an analysis, mapping reach versus impact of new lending customers. The insights highlight the relevance of mitigating measures.

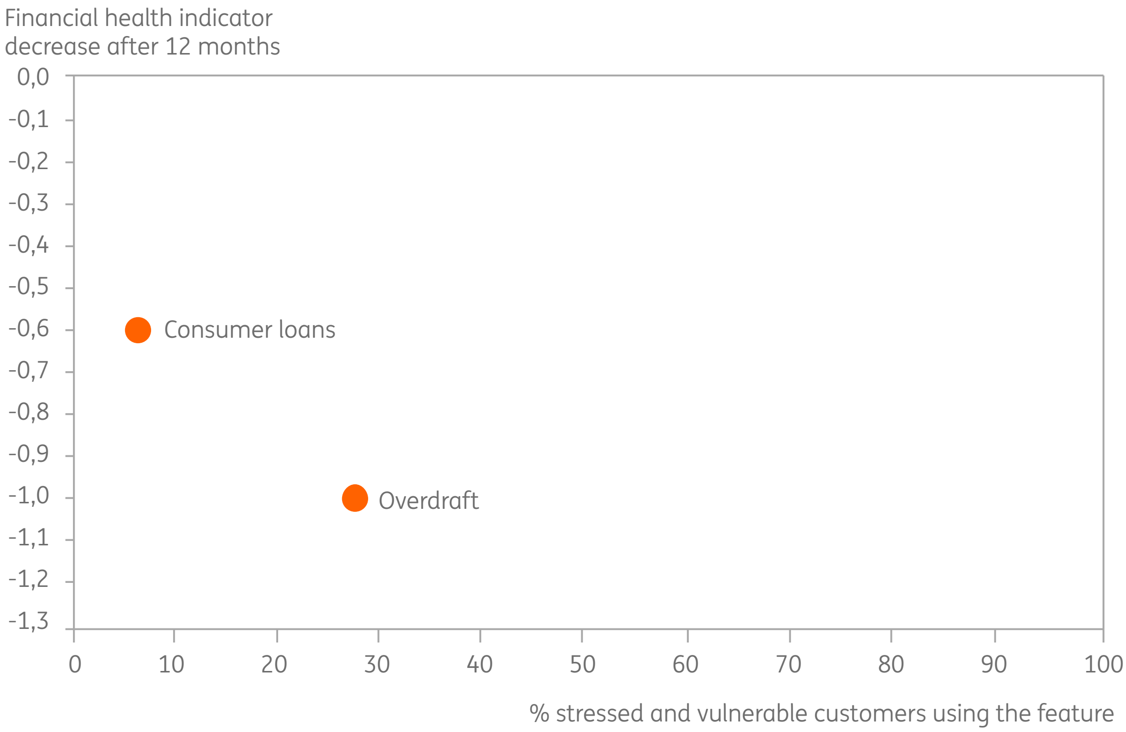

Figure 4: Propositions with negative impact based on statistical sample-based analyses.

Interventions

Building on these insights, ING Netherlands has implemented a **series of targeted interventions designed to mitigate financial risks for customers, while fostering long-term stability**. These measures have been structured into three distinct but complementary categories, each addressing specific vulnerabilities identified through our analysis.

1. **Product Portfolio Rationalization:** To reduce exposure to high-risk borrowing behaviors, ING Netherlands critically examines its portfolio based on the delivered insights. For example, we discontinued the non-amortising overdraft; a product that allowed for indefinite revolving balance without a repayment obligation. More often than not, this led to prolonged debt.

2. **Strengthened overdraft terms:** Recognising that chronic overdraft usage can undermine financial health, ING has introduced stricter contractual terms. Most notably, a mandatory three-month repayment interval has been applied across all overdraft products. This measure ensures that customers periodically reduce their outstanding balances, thereby discouraging dependency on short-term credit.

3. **Enhanced consumer loan underwriting:** To improve **the robustness of the credit risk assessment**, ING Netherlands revised its income verification methodology for consumer loans. Rather than relying solely on the most recent month's account activity, **the bank now evaluates a 12-month income history for the majority of loan product**s. This longitudinal approach provides a more accurate reflection of borrowers' financial stability and reduces the risk of overextension.

Conclusion

By refining the characteristics of these products, **ING aims to reduce negative impact while preserving utility for responsible borrowers**. This approach reflects our commitment to balancing financial accessibility with long-term customer well-being. Ongoing monitoring of all our products, especially lending, ensures that adjustments effectively support financial health.

5. Value for ING, the financial sector & society

In the introduction to this whitepaper, it was assumed that **financial health initiatives should also be beneficial to the bank**. Especially when products are good for the customer, society, and the bank, an organisation like ING will passionately commit to them. The propositions benefit the bank because they:

- Generate income for the bank because they encourage customers to save and/or invest and financially healthier customers may buy other products and services they need
- Provide the bank with cost savings because financially healthier customers typically contact our call centre less frequently, incur lower costs due to arrears, and have lower risk costs than vulnerable or stressed customers.
- Strengthens our customer relationship

Furthermore, ING is very aware of ***propositions offered by others*** with a potentially significant impact on the financial health of customers. Two trends actively discussed in society are **"buy now, pay later" and online gambling**.

We have not yet measured the financial health impact of these trends. In the future, we might well find an **approach that respects the privacy of our customers** and complies with data protection laws, while providing a decent insight into potential effects on financial health.

What's next

To further advance this work, we have identified three key avenues for exploration:

1. **Methodological expansion across markets:** The current methodology integrates international standards (UNEP-FI) with local benchmarks (Nibud), ensuring both global relevance and regional applicability. Extending this research to other ING markets would deepen our understanding of the drivers of financial health and the efficacy of interventions across diverse local contexts. Such a comparative analysis could also reveal how regional policies contribute to systemic improvements in financial well-being.
2. **Broadening proposition coverage:** The scope of this study currently excludes certain financial products, such as mortgages and insurance. Future iterations will incorporate these dimensions to deliver a more comprehensive assessment of customer financial health.
3. **Amplifying impact through propositions:** Product managers and marketers will prioritise scaling the impact of positive propositions through redesign (e.g. Round-up Savings) or campaigns (e.g. Automatic Savings).

By adopting this expanded approach, we aim to refine our understanding of financial health and enhance the effect of interventions — ultimately delivering greater value to our customers.

Impact requires collaboration

Banks cannot improve the financial health of society at large on their own. Impact requires broad collaboration by a diverse set of stakeholders.

According to the UN, improving financial health requires an approach that focuses on enhancing outcomes by delivering customer-centred solutions, fostering a sustainable financial ecosystem that supports financial stability, resilience, and long-term prosperity for all.

> **"This is even more important in a world full of economic uncertainty, conflict, and climate upheaval. Financial services are critical to help people gain control of their lives and futures."**
>
> United Nations Secretary-General António Guterres [14]

By sharing our methodology, we invite other organisations like financial services providers, regulators, and governments to explore how measuring financial health outcomes can contribute to sustainable progress.

[14] Queen Máxima Appointed UN Secretary-General's Special Advocate for Financial Health | United Nations | UNSGSA Queen Máxima

Appendix: Methodology for quantifying proposition impact on financial health

To accurately assess the effect of various propositions on financial health (FH) outcomes, we implemented a rigorous comparative analysis framework. Our methodology employs statistical sample-based analyses at portfolio level:

Controlled experimental design

Test group: New users of a proposition who adopted and consistently used the target proposition for 12 consecutive months.

Control group: Financially comparable customers who did not use the proposition, matched on key characteristics.

This **dual-group approach enables fair comparison by controlling external variables** and isolating the specific impact of each proposition. The matching methodology ensures observed effects can be **confidently attributed to proposition usage** rather than other factors. Test groups and control groups were different per product and as small as possible. Data used **cannot be traced back to identify the actual customer**. Because of anonymity and small group sizes, Financial Health Indicators cannot be used for any other purpose than presented in this whitepaper. The Financial Health Indicator is only used to measure financial health and outcomes of propositions on small random samples on an aggregated anonymous portfolio level.

Analytical technique

We applied the **Difference-in-Differences** (DiD) method to:

- Measure baseline Financial Health Indicator changes among non-users (control group).
- Compare these against Financial Health Indicator changes among users (test group).
- Calculate the net proposition effect by subtracting test-group changes from control-group changes.

This technique effectively controls for macroeconomic trends and other external influences that might affect both groups similarly. This analytical approach furthermore provides empirically validated insights into how specific financial products influence customer well-being, enabling data-driven product optimisation and development.

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