

Analysis of PT Allo Bank Indonesia's Financial Soundness Using the RGEC Method: A Case Study of 2019–2024

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Abstract

The digital transformation of banking has increased the importance of assessing bank soundness, particularly among digital banks. This study evaluates PT Allo Bank Indonesia Tbk during 2019–2024 using the Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital (RGEC) framework. A descriptive quantitative approach was applied using secondary data from annual reports. Six indicators were examined: Non-Performing Loan (NPL), Loan to Deposit Ratio (LDR), GCG rating, Return on Assets (ROA), Net Interest Margin (NIM), and Capital Adequacy Ratio (CAR). NPL declined from 10.16% in 2019 to below 1% during 2021–2024, while LDR peaked at 163.19% in 2022. GCG improved from a rating of 3 to 2, and ROA and CAR strengthened. The composite score rose from 66.67% in 2019 to 86.67% in 2021, then stabilized at 83.33% during 2022–2024. The average was 80.00%, indicating improved bank soundness, although liquidity risk remained a concern.

Keywords: Bank Soundness, RGEC, Digital Banking, PT Allo Bank Indonesia

JEL Classification: G21, G32, G38

Introduction

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Global economic development accompanied by advances in information technology has brought significant changes across various sectors, including the financial services industry. In Indonesia, the continuously increasing level of internet penetration has become one of the main driving forces behind digital transformation in the banking sector. A survey conducted by the Indonesian Internet Service Providers Association (APJII) reported that the number of internet users in Indonesia during the 2022–2023 period reached 215.63 million people, equivalent to 78.19 percent of the total national population (APJII, 2023). This condition has encouraged the growth of digital-based financial transactions, which directly affects the operational patterns of the banking industry.

The banking sector is among the industries experiencing rapid development as a result of digitalization. Banks in Indonesia are increasingly integrating technology into their operational activities to enhance efficiency, expand service coverage, and create competitive advantages. Banking digitalization is regarded as a strategic approach to maintaining economic stability and improving service quality for customers, particularly through the provision of services that are more accessible and responsive to public needs (Koroleva & Kudryavtseva, 2020:327).

In line with these developments, Indonesian society has become increasingly familiar with and reliant on digital banking services. The Financial Services Authority (Otoritas Jasa Keuangan/OJK) regulates the implementation of digital banking through OJK Regulation No. 12/POJK.03/2021, which defines a digital bank as a bank incorporated under Indonesian law that conducts its business activities primarily through electronic channels, with or without a limited physical office presence. Furthermore, OJK guidelines on digital branch operations explain that customers are able to independently perform various banking activities, such as account opening, fund transfers, and other transactions through digital platforms (OJK, 2016).

PT Allo Bank Indonesia is one of the digital banks operating in Indonesia that has demonstrated significant growth since the commencement of its operations. The utilization of digital technology enables the bank to offer banking services that are more efficient and easily accessible. However, this rapid growth is accompanied by considerable challenges, particularly in relation to increasingly complex risk management. Intense competition among digital banks requires PT Allo Bank Indonesia not only to focus on business expansion but also to strengthen its risk management practices in order to ensure operational sustainability and financial stability.

Within the context of the banking industry, bank soundness is a crucial factor in maintaining public trust. The assessment of commercial bank soundness in Indonesia is regulated by the Risk-Based Bank Rating (RBBR) framework established under Financial

Services Authority Regulation No. 4/POJK.03/2016 through the RGEC method, which encompasses four main aspects: Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital. The RGEC framework provides a comprehensive evaluation mechanism to assess both the financial and non-financial performance of banks.

Table 1 Annual Reports of PT Allo Bank Indonesia for the 2019–2024 Period

Ratio	2019	2020	2021	2022	2023	2024
NPL	10,16	2,76	0,52	0,01	0,08	0.81
LDR	84,3	86,89	103,49	163,19	150,77	122.69
ROA	-1,45	1,43	4,14	2,44	3,49	3,34
NIM	4,16	2,12	6,07	8,58	9,17	8,76
CAR	16,2	19,61	48,82	79,53	83,35	82.58

Source: PT Allo Bank Indonesia Annual Reports, 2019–2024; data processed by the authors.

Based on the financial data of PT Allo Bank Indonesia for the 2019–2024 period, several noteworthy performance dynamics can be identified. The Non-Performing Loan (NPL) ratio exhibits a significant downward trend, reaching its lowest level in 2022, although it experienced an increase again in 2024. The Loan to Deposit Ratio (LDR) fluctuated throughout the observation period, with its highest value recorded in 2022, indicating a relatively high level of credit disbursement compared to third-party funds. In terms of profitability, both Return on Assets (ROA) and Net Interest Margin (NIM) demonstrate fluctuating performance, reflecting variability in the bank’s ability to generate earnings. Meanwhile, the Capital Adequacy Ratio (CAR) shows a very substantial increase, reaching an exceptionally high level, which indicates a strong capital position to absorb potential risks

Table 2 Good Corporate Governance (GCG) Data of PT Allo Bank Indonesia for the 2019–2024 Period (Scale 1–5)

Year	PT Allo Bank Indonesia
2019	3
2020	3
2021	2
2022	2
2023	2
2024	2

Source: PT Allo Bank Indonesia Annual Reports, 2019–2024; data processed by the authors.

Furthermore, the implementation of Good Corporate Governance (GCG) principles at PT Allo Bank Indonesia demonstrates consistent improvement. The results of the GCG self-assessment indicate an upgrade in governance ratings from a fairly good category during the 2019–2020 period to a good category throughout 2021–2024. This trend reflects management's commitment to enhancing transparency, accountability, and integrity in corporate governance practices.

Based on the research background described above, the main problem addressed in this study concerns the level of soundness of PT Allo Bank Indonesia during the 2019–2024 period when analyzed using the RGEC method. This issue encompasses an assessment of bank soundness from the aspects of Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital, both partially for each individual component and comprehensively through the integration of all RGEC elements. Accordingly, this study aims to analyze and obtain empirical evidence regarding the soundness level of PT Allo Bank Indonesia during the 2019–2024 period based on the RGEC framework. The analysis is conducted by evaluating the Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital aspects in order to provide a comprehensive assessment of the bank's overall soundness.

This study is expected to provide both theoretical and practical contributions. From a theoretical perspective, the findings contribute to the development of academic literature related to bank soundness analysis using the RGEC method and may serve as a reference for future research. From a practical perspective, the results are expected to serve as an evaluative input for PT Allo Bank Indonesia, a learning resource for academic institutions, and a reference for government authorities and regulators in supervising the digital banking sector.

Literature Review

Financial Management

Financial management is a strategic function within an organization that involves decision-making related to the acquisition of funds, the management of financial resources, and the efficient utilization of assets to achieve corporate objectives. According to Kasmir (2017:5), financial management encompasses all corporate activities related to financial planning, budgeting, controlling, and evaluation. Anwar (2020:10) emphasizes that effective financial management aims to achieve efficiency while ensuring business sustainability. In the banking

context, financial management plays a crucial role in maintaining operational stability, profitability, and the bank's ability to manage risks.

Financial Statements

Financial statements serve as the primary means of presenting an entity's financial information in a structured and systematic manner. Based on PSAK No. 1 (2019), financial statements provide an overview of an entity's financial position, financial performance, and cash flows for a specific period. Kasmir (2018:7) states that financial statements function as a tool for evaluating corporate performance and as a basis for decision-making by both internal and external stakeholders. In the banking industry, financial statements are used to assess a bank's financial condition and serve as a fundamental basis for regulators in evaluating bank soundness.

Financial Ratio Analysis

Financial ratio analysis is an analytical method used to evaluate a company's financial performance through comparisons among items in financial statements. Hery (2018:193) explains that financial ratios are applied to assess liquidity, solvency, profitability, and operational efficiency. Kasmir (2019:104) further asserts that in the banking sector, financial ratio analysis is a critical instrument for evaluating a bank's ability to generate profits, meet its obligations, and manage risks effectively.

Banks and Bank Soundness

Banks are financial institutions that function to collect funds from the public and redistribute them in the form of credit or other financial services. Law Number 10 of 1998 stipulates that banks act as financial intermediaries in supporting economic growth. In carrying out this role, banks are required to consistently maintain their level of soundness in order to preserve public trust and ensure the stability of the financial system.

The assessment of bank soundness in Indonesia refers to the Risk-Based Bank Rating (RBRR) framework established under Financial Services Authority Regulation No. 4/POJK.03/2016, which adopts the RGEC method consisting of Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital. Under the RGEC framework, bank soundness is evaluated through an assessment of each indicator that represents the bank's risk condition, governance quality, financial performance, and capital adequacy.

In the Risk Profile aspect, the assessment focuses on credit risk and liquidity risk. Credit risk is measured using the Non-Performing Loan (NPL) ratio, which represents the proportion of non-performing loans to total outstanding loans. This ratio reflects the bank's ability to manage asset quality and minimize potential losses arising from borrower default. A lower

NPL ratio indicates better credit quality. According to the bank soundness assessment codification, an NPL ratio below 2 percent is classified as very healthy, while a ratio exceeding 11 percent indicates an unhealthy condition (Kasmir, 2020:226).

In addition to credit risk, the Risk Profile aspect also evaluates liquidity risk through the Loan to Deposit Ratio (LDR), which compares total loans extended to total third-party funds collected. This ratio illustrates the bank's ability to meet short-term obligations while simultaneously reflecting the effectiveness of its intermediation function. An excessively high LDR indicates potential liquidity risk, whereas an excessively low LDR suggests suboptimal fund utilization. Based on the assessment criteria, an LDR within the range of 50–75 percent is classified as very healthy, while an LDR above 120 percent indicates an unhealthy liquidity condition (Kasmir, 2020:225).

The relevance of LDR in banking analysis is also reflected in Mahesta's (2023) study of PT Bank Rakyat Indonesia (Persero) Tbk, which examined LDR alongside third-party funds in relation to return on equity. Although that study focused on profitability rather than a comprehensive RGEC rating, it provides a related empirical reference for the liquidity discussion in the present study.

The Good Corporate Governance (GCG) aspect is assessed using a self-assessment method in accordance with Bank Indonesia Circular Letter No. 15/15/DPNP of 2013. This assessment is conducted by bank management with the approval of the board of directors and is guided by the principles of transparency, accountability, responsibility, independence, and fairness. The results are expressed in a composite score, where a value below 1.5 indicates a very healthy governance condition, while a value approaching 5 reflects poor governance practices. GCG assessment is a critical indicator as it represents the overall quality of bank management.

The Earnings aspect evaluates the bank's ability to generate profits using the Return on Assets (ROA) and Net Interest Margin (NIM) ratios. ROA measures the effectiveness of the bank in utilizing its total assets to generate net income. A higher ROA indicates stronger profitability and more efficient asset management. According to the assessment criteria, an ROA above 1.5 percent is categorized as very healthy, while a negative ROA reflects an unhealthy condition (Kasmir, 2019:201).

Meanwhile, Net Interest Margin (NIM) is used to assess the bank's ability to generate net interest income from productive assets. NIM reflects the effectiveness of productive asset management and the bank's ability to generate interest income relative to its productive assets. A higher NIM generally indicates a stronger net interest-generating capacity, although the

interpretation should also consider the sustainability and risk implications of the margin. In this study, NIM is operationally classified into five rating categories consistent with the ratio-based classification adopted in the cited banking literature: a NIM above 3 percent is classified as very healthy (Rating 1), 2–3 percent as healthy (Rating 2), 1.5–<2 percent as fairly healthy (Rating 3), 1–<1.5 percent as less healthy (Rating 4), and below 1 percent as unhealthy (Rating 5). These thresholds are used consistently in the subsequent analysis. The final aspect, Capital, is assessed using the Capital Adequacy Ratio (CAR), which measures the adequacy of bank capital in covering risks arising from risk-weighted assets. CAR reflects the bank's resilience to potential losses and its capacity to support business expansion. According to the assessment criteria, a CAR above 12 percent is categorized as very healthy, while a CAR below 6 percent indicates an unhealthy capital condition (Kasmir, 2020:231).

Previous Studies

Numerous studies have examined banking performance and soundness using various analytical approaches and methods. One frequently applied approach is financial ratio analysis to evaluate bank profitability and operational efficiency. Jati, Oktrima, and Ariyanti (2022) investigated the effect of Net Interest Margin (NIM) and Operating Expenses to Operating Income (BOPO) on Return on Assets (ROA) at PT Bank Central Asia Tbk during the 2010–2020 period. The results indicate that NIM and BOPO simultaneously have a significant effect on ROA, suggesting that a bank's ability to manage interest margins and operational efficiency plays a crucial role in determining profitability. This finding underscores the importance of the Earnings aspect in assessing banking performance.

A comparative study on bank soundness assessment methods was conducted by Sari and Andhani (2020) on PT Bank Mandiri (Persero) Tbk during the 2015–2019 period using the CAMELS and RGEC methods. The results reveal no significant differences in the bank's financial performance during the observation period; however, overall soundness indicators fall within a very good category. The study concludes that the RGEC method is more appropriate due to its emphasis on risk and governance aspects, whereas the CAMELS method tends to focus primarily on profitability.

A similar approach was adopted by Rismala, Triposa, Aprilianty, Elvina, and Sunardi (2021), who analyzed the soundness of Islamic banking using the CAMEL and RGEC methods during the 2015–2019 period. The findings indicate that the Islamic banking industry generally remained in a healthy condition, as reflected by relatively stable financial ratios and risk profiles. These results suggest that both CAMEL and RGEC methods are capable of providing

a comprehensive overview of bank soundness, particularly within the context of Islamic banking.

Research specifically addressing the application of the RGEC method to digital banks was conducted by Helmi and Kristianto (2024), who analyzed the soundness of digital banks listed on the Indonesia Stock Exchange during the 2019–2022 period. The results demonstrate variations in financial performance among digital banks; nevertheless, digital banks are generally considered sufficiently healthy in managing risk and maintaining capital adequacy. This study highlights the relevance of the RGEC method in assessing the stability of digital banks that are still in a growth phase.

Related evidence has also been published in Indonesian Financial Review (IFR). Tadarus and Sholeh (2022) assessed PT Bank Central Asia Tbk using the RGEC framework for 2017–2021 and reported that the bank's soundness was classified as very healthy. Their study provides a directly comparable application of RGEC to a conventional bank, while the present study extends the discussion to a digital bank and a longer observation period (2019–2024).

Another study by Amtiran, Bay, and Makatita (2023) examined the financial performance of National Private Commercial Banks using the RGEC method during the 2019–2021 period. The findings indicate that the Risk Profile and Good Corporate Governance aspects are classified as healthy, while the Earnings and Capital aspects fall within the very healthy category. Overall, the banks studied achieved a healthy rating, confirming that the RGEC method provides a comprehensive assessment of banking conditions.

A more specific study on digital banking was conducted by Bangun and Purnamasari (2023) on PT Bank Jago Tbk during the 2019–2021 period. The results reveal that although the capital and governance aspects are categorized as very healthy, profitability indicators measured by ROA and ROE remain in a less healthy condition. This finding suggests that digital banks face challenges in optimizing profitability despite strong capital support.

In the context of Islamic banking, Bahanan (2024) examined PT Bank Mega Syariah during the 2018–2022 period and found a gradual improvement in bank soundness. This improvement was supported by effective risk management, stable revenue growth, and strengthened capital. The study confirms that the RGEC method is applicable not only to conventional banks but also to Islamic banks.

Based on the aforementioned studies, it can be concluded that the RGEC method is a comprehensive and adaptive analytical tool for assessing bank soundness across conventional

banks, Islamic banks, and digital banks. Nevertheless, further research is still required, particularly on digital banks with longer observation periods, to obtain a more comprehensive understanding of bank soundness dynamics amid technological advancements and increasing competition in the banking industry.

Despite the growing number of studies applying the RGEC framework to conventional, Islamic, and digital banks, three research gaps remain. First, previous studies on digital banking have generally employed relatively short observation periods, limiting the ability to identify changes in bank soundness over a longer period. Second, limited attention has been given to the financial soundness trajectory of a single digital bank across different stages of development. Third, previous studies often emphasize individual financial ratios without explicitly presenting a transparent indicator-based procedure for integrating the selected RGEC indicators into an annual composite assessment. Therefore, this study extends the existing literature by examining PT Allo Bank Indonesia over a six-year period from 2019 to 2024 and by providing a transparent scoring procedure for six observable indicators representing credit risk, liquidity risk, GCG, earnings, and capital. This approach enables the study to describe not only the level of financial soundness but also the changes in the bank's condition over time.

Theoretical Framework

Based on relevant theories and findings from previous studies, the relationships among the variables in this study can be explained as follows.

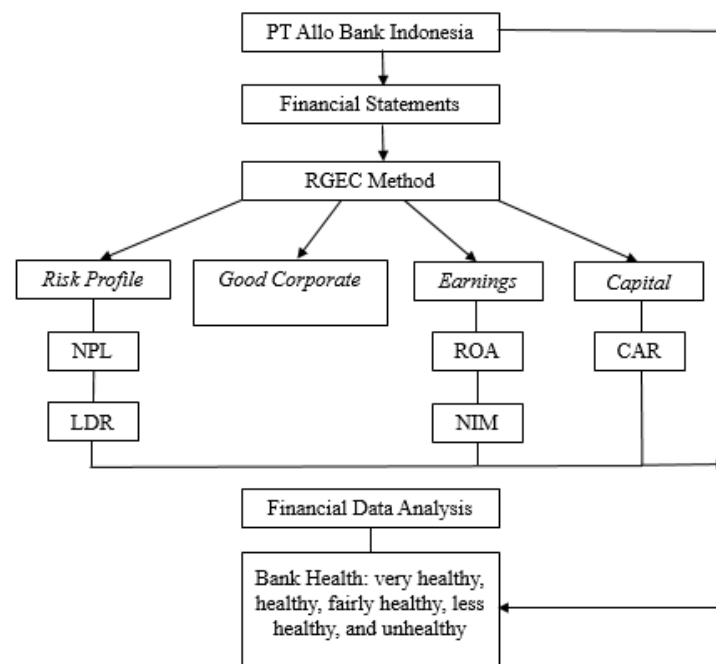


Figure 1 Theoretical Framework

Source: Prepared by the authors.

Conceptually, the four RGEC factors represent complementary dimensions of bank soundness. The Risk Profile reflects the bank's exposure to and management of financial risks, particularly credit and liquidity risks represented in this study by NPL and LDR. GCG reflects the quality of governance mechanisms that support accountability, transparency, and effective decision-making. Earnings reflects the bank's capacity to generate sustainable returns from its assets and productive assets, represented by ROA and NIM. Capital reflects the bank's capacity to absorb potential losses and support business activities, represented by CAR. Consequently, stronger performance in NPL, GCG, ROA, NIM, and CAR contributes positively to the analytical assessment, whereas elevated LDR and other weak indicators reduce the composite score. The integration of these indicators provides a structured descriptive assessment of changes in the bank's financial condition during the observation period.

Research Methodology

Type of Research

This study employs a descriptive quantitative approach aimed at analyzing and describing the soundness level of PT Allo Bank Indonesia based on historical financial data. Quantitative research is a method grounded in the philosophy of positivism and is used to examine a specific population or sample through numerical data analyzed using statistical techniques (Ghozali, 2018:22). Meanwhile, descriptive analysis is applied to describe research conditions or results without making broader generalizations (Sugiyono, 2022:35). This approach is utilized to assess the soundness level of PT Allo Bank Indonesia during the 2019–2024 period using the RGEC method, which consists of Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital factors.

Research Object and Period

The research object of this study is PT Allo Bank Indonesia. The study uses secondary data obtained from the company's official website. The observation period covers financial data from 2019 to 2024. The research was conducted from June 2025 to February 2026, encompassing the stages of data collection, data processing, analysis, and preparation of the research report.

Population and Sample

The population in this study consists of all published financial statements of PT Allo Bank Indonesia, including statements of financial position, income statements, and annual reports for the 2019–2024 period. Population is defined as the entire set of subjects or objects that become the focus of a study (Riyanti & Hatmawan, 2022:11).

The sample represents a portion of the population selected to reflect its characteristics (Riyanti & Hatmawan, 2022:12). The sample used in this study comprises data related to the assessment of the soundness level of PT Allo Bank Indonesia, analyzed through the Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital components over the 2019–2024 period.

Type and Source of Data

The type of data used in this study is secondary data, defined as data obtained indirectly through other parties. The data are sourced from the annual reports of PT Allo Bank Indonesia, officially published on the company’s website at www.allobank.com. The analyzed data include statements of financial position, income statements, and other supporting information for the 2019–2024 period. The selection of this data source is based on the consideration that the published data are official, comprehensive, and have undergone an audit process.

Operational Definition of Variables

To provide clarity regarding the research variables, operational definitions are established for each variable used in this study, as presented in:

Table 3 Operational Definitions of Research Variables

Variable	Indicator	Measurement Scale
Bank Soundness Assessment of PT Allo Bank Indonesia	the Risk-Based Bank Rating (RBBR) framework established under Financial Services Authority Regulation No. 4/POJK.03/2016	Rating
Risk Profile	Credit Risk: $NPL = \frac{\text{Non – Performing Loan}}{\text{Total Loans}} \times 100\%$ Liquidity Risk: $LDR = \frac{\text{Total Loans}}{\text{Third – Party Funds}} \times 100\%$	Ratio
Good Corporate Governance	Self-Assessment based on governance principles	Ordinal

Variable	Indicator	Measurement Scale
Earning	$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$	Ratio
	$NIM = \frac{\text{Net Interest Income}}{\text{Average Earning Assets}} \times 100\%$	
Capital	$CAR = \frac{\text{Total Capital}}{\text{Total ATMR}} \times 100\%$	Ratio

Source: Prepared by the authors.

Table 4 Operationalization and Rating of RGEC Indicators

Factor	Indicator	Measurement	Direction	Rating
Risk Profile	NPL	Non-performing loans / total loans × 100%	Lower is better	1–5
Risk Profile	LDR	Total loans / third-party funds × 100%	Lower risk within optimal range	1–5
GCG	GCG Rating	Bank self-assessment rating	Lower rating is better	1–5
Earnings	ROA	Profit before tax / average total assets × 100%	Higher is better	1–5
Earnings	NIM	Net interest income / average productive assets × 100%	Higher is better within sustainable range	1–5
Capital	CAR	Capital / risk-weighted assets × 100%	Higher is better	1–5

Source: Prepared by the authors.

The indicators were selected based on their availability in the published annual reports and their relevance to the four RGEC factors. The rating assignment is performed consistently using the operational classification adopted in this study. The rating scale ranges from 1 to 5, where Rating 1 represents the strongest condition and Rating 5 represents the weakest condition.

Table 5 Operational Rating Classification of RGEC Indicators

Indicator	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5
NPL	$\leq 2\%$	$>2-5\%$	$>5-8\%$	$>8-12\%$	$>12\%$
LDR	50–75%	$>75-85\%$	$>85-100\%$	$>100-120\%$	$>120\%$
GCG	1	2	3	4	5
ROA	$>1.5\%$	1.25–1.5%	$0.5-<1.25\%$	$0-<0.5\%$	$\leq 0\%$
NIM	$>3\%$	2–3%	$1.5-<2\%$	$1-<1.5\%$	$<1\%$
CAR	$>12\%$	9–12%	$8-<9\%$	$6-<8\%$	$\leq 6\%$

Note: The thresholds above are used as the operational ratio-based classification in this study based on the banking literature cited in the manuscript. They are not intended to reproduce the complete OJK supervisory rating process. The official OJK assessment of bank soundness requires comprehensive and structured analysis of the four RGEC factors.

Data Analysis Technique

The data analysis technique employed in this study involves calculating and analyzing financial ratios that represent each component of the RGEC method. The assessment of bank soundness is conducted through a comprehensive evaluation of each RGEC factor: Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital, which is subsequently summarized into a composite rating of bank soundness.

In this study, the Risk Profile factor is operationalized through two observable financial indicators, namely NPL as a proxy for credit risk and LDR as a proxy for liquidity risk. This operationalization does not represent the complete supervisory assessment of the Risk Profile factor under the OJK framework, which covers eight types of risk and requires a comprehensive assessment of inherent risk and risk-management quality. The use of NPL and LDR is therefore intended to provide a ratio-based analytical representation of two major financial risk dimensions that can be consistently obtained from the bank's published annual reports for the 2019–2024 observation period.

The composite rating reflects the bank's overall condition and its ability to withstand adverse impacts arising from changes in business conditions and external factors. The classification of composite ratings follows the provisions stipulated in the Circular Letter of Bank Indonesia.

Table 6 Composite Rating Matrix of Bank Soundness

Composite Rating	Description
PK1	Very Healthy condition, indicating that the bank is highly capable of facing significant negative influences arising from changes in business conditions and other external factors.
PK2	Healthy condition, indicating that the bank is capable of facing significant negative influences arising from changes in business conditions and other external factors.
PK3	Fairly Healthy condition, indicating that the bank is sufficiently capable of facing significant negative influences arising from changes in business conditions and other external factors, although there are several weaknesses that require attention.
PK4	Less Healthy condition, indicating that the bank is less capable of facing significant negative influences arising from changes in business conditions and other external factors.
PK5	Unhealthy condition, indicating that the bank is not capable of facing significant negative influences arising from changes in business conditions and other external factors and requires substantial financial support.

Source: Appendix of the Circular Letter of Bank Indonesia

The composite score is obtained by multiplying the number of check marks for each indicator by the assigned weight of the respective rating: rating 1 is multiplied by 5, rating 2 by 4, rating 3 by 3, rating 4 by 2, and rating 5 by 1 (Tobing & Simatupang, 2022).

The resulting composite score is then converted into a percentage to determine the overall category of bank soundness. Based on the RGEC method, bank soundness is classified into five categories: very healthy, healthy, fairly healthy, less healthy, and unhealthy, according to the predefined weighting ranges.

For clarity, the PK-1 to PK-5 labels used in this study are researcher-assigned analytical labels applied to the indicator-based composite scores. They are not official OJK Composite Ratings. The scoring procedure is intended for descriptive comparison across the six-year observation period and does not reproduce the full supervisory assessment under the RGEC/RBBR framework.

Table 7 Composite Rating Classification of Bank Soundness Using the RGEC Method

Weight (%)	Composite Rating	Category
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86 – 100	PK 1	Very Healthy
71 – 85	PK 2	Healthy
61 – 70	PK 3	Fairly Healthy
40–60	PK 4	Less Healthy
<40	PK 5	Unhealthy

Source: Tobing and Simatupang (2022)

Results and Discussion

Results

Risk Profile

The assessment of the risk profile of PT Allo Bank Indonesia in this study is measured using the Non-Performing Loan (NPL) ratio and the Loan to Deposit Ratio (LDR), which represent credit risk and liquidity risk, respectively.

Table 8 Financial Health of Allo Bank Based on NPL Ratio

Year	NPL (%)	Category
2019	10.16%	Less Healthy
2020	2.76%	Healthy
2021	0.52%	Very Healthy
2022	0.01%	Very Healthy
2023	0.08%	Very Healthy
2024	0.81%	Very Healthy

Source: PT Allo Bank Indonesia Annual Reports, 2019–2024; data processed by the authors.

Based on the calculation of the NPL ratio during the 2019–2024 period, a significant improvement in the bank’s credit quality can be observed. In 2019, the NPL ratio stood at 10.16 percent, categorized as less healthy, indicating a relatively high level of non-performing loans at the beginning of the observation period. However, in 2020, the NPL ratio declined sharply to 2.76 percent and continued to decrease to below 1 percent from 2021 to 2024. The lowest

NPL ratio was recorded in 2022 at 0.01 percent, reflecting an almost negligible level of problematic loans. Although a slight increase occurred in 2024 to 0.81 percent, the ratio remained within the very healthy category. On average, Allo Bank's NPL over the six-year period was approximately 2.39 percent, indicating that credit risk management has been implemented effectively and consistently in accordance with the prudential banking principle.

Table 9 Financial Health of Allo Bank Based on LDR Ratio

Year	LDR (%)	Category
2019	84.30%	Healthy
2020	86.89%	Fairly Healthy
2021	103.49%	Less Healthy
2022	163.19%	Unhealthy
2023	150.77%	Unhealthy
2024	122.69%	Unhealthy

Source: PT Allo Bank Indonesia Annual Reports, 2019–2024; data processed by the authors.

In contrast, the LDR ratio indicates a relatively high liquidity exposure during the observation period. In 2019, LDR was 84.30%, classified as healthy. It increased to 86.89% in 2020 and was classified as fairly healthy, followed by 103.49% in 2021, which was classified as less healthy. The most critical level occurred in 2022, when LDR reached 163.19%, followed by 150.77% in 2023 and 122.69% in 2024, all of which remained within the unhealthy category under the operational classification used in this study. The average LDR of 118.56% indicates that liquidity management remained a key area requiring managerial attention. This finding contrasts with the substantial improvement in NPL, indicating that credit quality and liquidity exposure developed differently during the observation period.

Overall, the risk profile assessment shows contrasting conditions between credit risk and liquidity risk. While credit risk management has improved significantly, liquidity risk remains a major challenge that requires strategic attention, particularly in balancing loan expansion and the growth of third-party funds.'

Liquidity–Profitability–Capital Interaction

The contrasting movement between liquidity risk, profitability, and capitalization provides an important insight into the financial condition of Allo Bank. The high LDR observed during 2021–2024 indicates that loan growth was relatively high compared with third-party funds. However, a high LDR does not automatically imply weak profitability because loans

may continue to generate interest income and contribute to NIM and ROA. Similarly, a high CAR strengthens the bank's capacity to absorb losses but does not directly resolve short-term liquidity pressure. Therefore, the simultaneous occurrence of high CAR, strong earnings, and high LDR should be interpreted as evidence that capital adequacy and profitability cannot be used as substitutes for effective liquidity management. From a managerial perspective, the bank needs to balance loan expansion with stable funding growth and liquidity buffers so that financial intermediation does not create excessive liquidity exposure.

Good Corporate Governance (GCG)

The assessment of Good Corporate Governance (GCG) at PT Allo Bank Indonesia is conducted through a self-assessment method in accordance with the Circular Letter of Bank Indonesia No. 15/15/DPNP/2013, which covers governance structure, governance process, and governance outcomes. The GCG evaluation results for the 2019–2024 period demonstrate a consistent improvement trend.

Table 10 Financial Health of Allo Bank Based on GCG Ratio

Year	Rank	Category
2019	3	Fairly Healthy
2020	3	Fairly Healthy
2021	2	Healthy
2022	2	Healthy
2023	2	Healthy
2024	2	Healthy

Source: PT Allo Bank Indonesia Annual Reports, 2019–2024; data processed by the authors.

In 2019 and 2020, the GCG rating was at level 3, categorized as fairly healthy, indicating that the implementation of corporate governance still required improvements, particularly in supervisory mechanisms and internal control systems. However, from 2021 to 2024, the GCG rating improved to level 2, classified as healthy. This improvement reflects the bank's continuous efforts to enhance transparency, accountability, and the effectiveness of internal control mechanisms. The average GCG rating over the six-year period was 2.33, indicating that the implementation of corporate governance at Allo Bank has been generally healthy and supportive of the bank's operational stability.

Earnings

The earnings aspect in this study is analyzed using the Return on Assets (ROA) and Net Interest Margin (NIM) ratios, which reflect the bank's ability to generate profits and net interest income.

Table 11 Financial Health of Allo Bank Based on ROA (2019–2024)

Year	ROA (%)	Category
2019	-1.45%	Unhealthy
2020	1.43%	Healthy
2021	4.14%	Very Healthy
2022	2.44%	Very Healthy
2023	3.49%	Very Healthy
2024	3.34%	Very Healthy

Source: PT Allo Bank Indonesia Annual Reports, 2019–2024; data processed by the authors.

The ROA results indicate fluctuating profitability over the study period. In 2019, ROA was negative at -1.45%, categorized as “unhealthy,” reflecting a loss-making condition. In 2020, ROA improved to 1.43% and was classified as “healthy.” A more significant improvement occurred in 2021, with ROA reaching 4.14% and categorized as “very healthy.” From 2022 to 2024, ROA remained in the “very healthy” category, consistently above 2%. The average ROA over six years was 2.23%, demonstrating that Allo Bank has generally managed its assets effectively to generate profits.

Table 12 Financial Health of Allo Bank Based on NIM (2019–2024)

Year	NIM (%)	Category
2019	4.16%	Very Healthy
2020	2.12%	Healthy
2021	6.07%	Very Healthy
2022	8.58%	Very Healthy
2023	9.17%	Very Healthy
2024	8.76%	Very Healthy

Source: PT Allo Bank Indonesia Annual Reports, 2019–2024; data processed by the authors.

The NIM ratio also shows relatively strong performance despite occasional declines. In 2019, NIM was 4.16% (very healthy) but decreased to 2.12% in 2020, reflecting pressure on interest margins, potentially due to changes in interest rates and funding costs. From 2021 to 2024, NIM rebounded and consistently remained in the “very healthy” category, reaching a peak of 9.17% in 2023. The six-year average NIM was 6.48%, indicating the bank’s ability to optimize net interest income from its productive assets.

Capital

The capital aspect of PT Allo Bank Indonesia is measured using the Capital Adequacy Ratio (CAR), which reflects the bank’s ability to provide sufficient capital to absorb risks. The CAR ratio remained consistently in the “very healthy” category throughout 2019–2024.

Table 13 Financial Health of Allo Bank Based on CAR (2019–2024)

Year	CAR (%)	Category
2019	16.20%	Very Healthy
2020	19.61%	Very Healthy
2021	48.82%	Very Healthy
2022	79.53%	Very Healthy
2023	83.35%	Very Healthy
2024	82.58%	Very Healthy

Source: PT Allo Bank Indonesia Annual Reports, 2019–2024; data processed by the authors.

In 2019, CAR was 16.20% and continued to increase, reaching 83.35% in 2023. Although there was a slight decline to 82.58% in 2024, the ratio remained well above the regulatory minimum. The six-year average CAR was 55.02%, indicating that Allo Bank has a strong capital buffer to support business expansion and mitigate various banking risks.

The exceptionally high CAR observed from 2022 onward also requires a more nuanced interpretation. Although a high CAR indicates a substantial capital buffer relative to risk-weighted assets, it should not automatically be interpreted as evidence of optimal capital efficiency. A very high CAR may reflect a combination of strong capital availability and relatively moderate risk-weighted assets. Potential explanations such as additional capital injections, retained earnings, changes in the composition of risk-weighted assets, or other balance-sheet developments should be examined using the corresponding annual reports.

Therefore, the high CAR in this study is interpreted primarily as evidence of strong loss-absorption capacity rather than as a standalone indicator of overall financial efficiency.

Discussion of Composite Financial Health Rankings

Table 14 Composite Scores of PT Allo Bank Indonesia Based on RGEC (2019–2024)

Year	Composite Score	Analytical Rating	Category
2019	66.67%	PK-3	Fairly Healthy
2020	76.67%	PK-2	Healthy
2021	86.67%	PK-1	Very Healthy
2022	83.33%	PK-2	Healthy
2023	83.33%	PK-2	Healthy
2024	83.33%	PK-2	Healthy
Average	80.00%	PK-2	Healthy

Source: PT Allo Bank Indonesia Annual Reports, 2019–2024; data processed by the authors.

Note: The PK-1 to PK-5 labels in Table 14 are used solely as researcher-assigned analytical labels to summarize the indicator-based composite scores calculated in this study. They do not represent official OJK Composite Ratings. The scores and health categories are derived from the researcher-developed scoring procedure described in the methodology. The official OJK assessment of bank soundness requires a comprehensive and structured evaluation of all relevant RGEC factors.

The composite scores are retained as calculated in this study. The score increased from 66.67% in 2019 to 76.67% in 2020 and reached 86.67% in 2021. It then remained at 83.33% during 2022–2024. The six-year average composite score of 80.00% falls within the “Healthy” category under the analytical classification developed for this study. The corresponding PK-2 label is used solely as a researcher-assigned analytical designation and should not be interpreted as an official OJK Composite Rating.

Based on the indicator-based analytical assessment, PT Allo Bank Indonesia’s composite score shows an improving trend over 2019–2024. The score was 66.67% in 2019 (analytical category: “Fairly Healthy”), increased to 76.67% in 2020 (“Healthy”), and reached 86.67% in 2021 (“Very Healthy”). From 2022 to 2024, the score remained at 83.33% (“Healthy”). These

categories reflect the scoring procedure applied in this study and should not be interpreted as official OJK ratings.

From 2022 to 2024, the composite score remained at 83.33%, within the “Healthy” category under the analytical classification used in this study. The six-year average was 80.00%, also within the analytical “Healthy” category. The results describe the selected indicators and do not constitute an official OJK Composite Rating.

Conclusion

The NPL results indicate an improvement in credit quality, whereas the LDR results indicate continuing liquidity pressure under the operational thresholds applied in this study. Because the analysis does not specify a validated aggregation rule for these two indicators, no single overall Risk Profile category is assigned.

The reported self-assessment rating improved from 3 in 2019–2020 to 2 in 2021–2024. These reported ratings are described according to the categories used in this study and are not presented as an independent official OJK composite assessment by the authors.

Third, the Earnings aspect, measured through Return on Assets (ROA) and Net Interest Margin (NIM), demonstrates that PT Allo Bank Indonesia has a very strong ability to generate profits. Thus, the bank’s profitability is categorized as “very healthy.”

Fourth, the Capital aspect, measured by the Capital Adequacy Ratio (CAR), shows that the bank’s capitalization is in a “very healthy” condition, reflecting its ability to absorb risks and support operational sustainability.

Fifth, the indicator-based composite assessment produced an average score of 80.00%, which falls within the “Healthy” category under the analytical classification developed for this study. The PK-2 designation is a researcher-assigned analytical label rather than an official OJK Composite Rating. The results should therefore be interpreted as a descriptive assessment of the selected indicators, not as a substitute for the complete supervisory assessment of bank soundness.

Research Limitations

This study has several limitations. First, the analysis uses selected observable financial indicators obtained from published annual reports and therefore does not reproduce the complete supervisory assessment conducted by OJK. Second, the Risk Profile analysis focuses on credit and liquidity risk through NPL and LDR, whereas the official framework

encompasses broader risk dimensions. Third, the indicator-based composite score applies an explicit analytical scoring procedure to facilitate transparency and comparability across years. Future research may extend the analysis by incorporating the full range of risk dimensions, qualitative risk-management assessments, and more comprehensive GCG, earnings, and capital parameters.

Implications

The findings have several managerial implications. First, liquidity management should receive particular attention because the persistent elevation of LDR indicates that loan expansion needs to be aligned with the growth and stability of third-party funds. Second, strong CAR should be maintained while ensuring that excess capital is supported by productive and sustainable asset allocation. Third, the improvement in NPL, ROA, NIM, and GCG should be sustained through prudent credit management, effective asset utilization, sound governance, and sustainable earnings management. Finally, the results demonstrate the importance of evaluating bank soundness across multiple dimensions because strong profitability and capital adequacy do not necessarily eliminate liquidity-related vulnerabilities.

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