

## **ABSTRACT**

The role of banks in advancing economy of a country is very large. Almost all sectors related to various financial activities always require the services of a bank. At present and in the future we will not be separated from the world of banking, if want running the financial activity, whether individuals or institutions, whether social or company. This study aimed to analyze and test the effect of credit risk (NPL), liquidity risk (LDR), and capital (CAR) of the bank's profitability (ROA) with empirical studies on conventional commercial banks in 2010-2014.

The data used in this study was obtained from the annual financial statements of each of the banks listed on the stock exchanges of Indonesia in 2010-2014. The sampling technique used purposive sampling. Samples used as many as 23 conventional commercial banks. The method used in this research is the method of panel data regression using random effects models. Hypothesis testing using t-test, f, and the coefficient of determination.

The results showed that all independent variables, such as credit risk (NPL), liquidity risk (LDR), and capital (CAR) simultaneous significant effect on the profitability of banks. Partially credit risk (NPL), which has a significant effect on bank profitability. Liquidity risk (LDR) and capital (CAR) no significant effect on bank profitability. Based on this research, it is recommended to optimize the profit of a conventional bank to pressure NPL, LDR maintain stability and allocated capital ratio (CAR). Low NPL can increase profits, the stability of the LDR to keep the bank intermediation function, also capital allocated to the credit can increase bank profits.

***Keywords: credit risk, liquidity risk, capital, bank profitability***