

ABSTRACT

One of financial innovations undertaken by the banking industry is the rapid growth in transaction activities of off-balance sheet (OBS). Where off-balance sheet activity is one instrument diversification of revenue related to the profitability of banks. This study aims to determine the effect of off-balance sheet activities (share of non-interest income, loan loss provision, net open position on spot and derivatives, and unused loan commitment) to return on equity.

The samples used in this study were 15 Foreign Exchange Commercial Banks during 2012-2014. The analytical method used in this study was multiple linear regression on panel data approach using Fixed Effect Model and The Generalized Least Square.

The results of this study showed that the share of non-interest income and loan loss provision have negative significant effect on return on equity, unused loan commitment has a positive significant effect on return on equity, and net open position on spot and derivative has insignificant effect on return on equity.

Keywords: Off Balance Sheet, Profitability, Return on Equity, Non Interest Income, Loan Loss Provision (LLP), Net Open Position on Spot and Derivative (NOPSD), Unused Loan Commitment (ULC).