

## **ABSTRACT**

*The purpose of this study was to determine the effect of intellectual capital on the financial performance of Islamic banks in Indonesia. Dependent variable used in this study is the financial performance of Islamic banks based on islamicity financial performance index. Independent variables used in this study is the intellectual capital which is measured by using Pulic model that called Value Added Intellectual Coefficient (VAIC).*

*The sample in this study is Islamic banking which is the Sharia Commercial Banks and Sharia Business Unit registered in Bank Indonesia in 2005-2009. The sample was selected using purposive sampling method and obtained eight banks being sampled. Pulic model (Value Added Intellectual Coefficient) was used as a measure of the efficiency of components of intellectual capital: physical capital coefficient (VACA), human capital coefficient (VAHU), and structural capital coefficient (STVA). This study used partial least squares to analyze the data.*

*The results showed that the intellectual capital significantly effect on islamicity financial performance index and can be used to predict future islamicity financial performance index. In addition the average growth of intellectual capital (ROGIC) also significantly influence future islamicity financial performance index.*

**Keywords:** *Intellectual Capital, VAIC, Islamic Accounting, Islamic Bank Performance*