

## **ABSTRACT**

*Banks as lending institution has the greatest risk which we call as credit risk. Credit risk or Non-Performing Loan (NPL) resulted in the bank's income reduced. Regional Development Bank (BPD) is the only bank that the level of non-performing loans keep increasing. This study aimed to analyze the influence of factors that is assumed have influence to increase of NPL, include Capital Adequacy Ratio, Loan to Deposit Ratio, rupiah exchange rate.*

*The population in this study are the financial statements of BPD in 2011 until 2014. The sample selection technique is using purposive sampling and could be obtained that 15 banks were included with the period of 4 years so we can get 60 samples observed. Methods of data analysis in this research is panel data regression using the software Eviews 8.0.*

*The results showed that the Capital Adequacy Ratio, Loan to Deposit Ratio, rupiah exchange rate are simultaneously significant effecting on the non-performing loans. While partially Capital Adequacy Ratio, Loan to Deposit Ratio has no effect on non-performing loans and the rupiah exchange rate have significant influence in a positive direction way towards the Non-Performing Loan.*

*Based on the research results, making projections of NPL using exchange rate forecast is recommended to suppress the NPL beside that BPD is recommended to improve credit quality and conduct better risk management. Also for regulators is expected to maintain the stability of the rupiah exchange rate. Due to the stable rupiah exchange rate is expected to obtain a low NPL projection for the next period in the future.*

**Keywords:** *Capital Adequacy Ratio, Loan to Deposit Ratio, Rupiah Exchange Rate, Non Performing Loan*