

## ABSTRACT

While there are a lot of researches that study about good corporate governance implementation in manufacturing company, this research is more focusing on the implementation of good corporate governance in banking industry. Bank holds important key role in the economics. Bank needs to have a good governance to get a good reputation so that it can play its role well. This research was conducted with purposive sampling method of secondary data obtained from annual reports of banking companies listed in the Indonesia Stock Exchange for the year 2008 until 2012. The data is analyzed using multiple regression. Corporate governance variables are analyzed on bank financial performance (CFROA). Partially, the result showed that foreign ownership, board size, and external auditor, as corporate governance variables, significantly affect bank financial performance. Whilst, large shareholders, government ownership, commissioner size, independent commissioner proportion, and capital adequacy ratio are found to insignificantly affect bank financial performance. Also, firm size as controlling variable, is insignificantly affect the relationship between corporate governance variables and bank financial performance.

**Keywords : Corporate governance, financial performance, banking industry, agency theory**