The research was conducted at Bank Mandiri Malang. This study uses the direct and indirect compensation as an independent variable and performance as the dependent variable. The purpose of this study was to analyze the effect of direct and indirect compensation on employee performance. The population is Bank Mandiri Malang, which the number of population in this study were 32 respondents. The analysis used include validity, reliability testing, multiple regression analysis, coefficient of determination, F test and t test.

Data that has been processed using SPSS, produces the following regression equation:

\[ y = 393,007 - 1,063 x_1 - 0,832 x_2 \]

The above equation regression model showed that the effect of the indirect compensation more dominant than the indirect compensation to performance. Based on the test results the coefficient of determination, the value is 0,033. This shows that the direct and indirect compensation have an influence on the performance for 033%, while the rest are affected because other reasons outside the model.

The results of hypothesis testing, based on F-test performed can be seen that the compensation directly or indirectly have an influence on employee performance. The results of the t-test in this study is known that direct compensation does not affect the performance of the employees, while compensating indirect effect on employee performance.