

## **ABSTRACT**

*The purpose of this study was to examine the role of financial statement quality in mediating the relationship between bank soundness and management compensation with the firm's market performance. This study examine how information about bank soundness, management compensation, and quality of financial reports affects investor decision-making as reflected in the company's market price on the stock exchange. This study uses the concept of agency theory, signaling theory, and expectancy theory in analyzing the relationship between various variables in the study.*

*The research population is banks listed on the Indonesia Stock Exchange from 2015 to 2019. The sample used in this study is banking companies that have complete data for all variables from 2015 to 2019. The total number of samples is 37 banking companies from 45 companies registered until 2019. The sample selection method is judgment sampling. This study uses a sample of companies that meet the criteria that have been set. This study uses a path analysis tool with the Warp PLS 7 program to test the hypothesis.*

*The results showed that bank soundness and management compensation had a significant positive effect on banking market performance. The results of this study also show that bank soundness and management compensation has a significant positive effect on the quality of financial reports and the quality of financial reports has a significant positive effect on banking market performance. Furthermore, the quality of financial statements partially mediates the relationship between bank soundness and market performance of companies, and the quality of financial statements also partially mediates the relationship between management compensation and banking market performance.*

*Keywords: bank soundness, company market performance, management compensation, quality of financial reports.*