Independent study title	YIELD CURVE, INTEREST RATE AND BANK PROFITABILITY: EVIDENCE FROM THAILAND.
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ABSTRACT

Monetary policy transmission through interest rates significantly impacts banking sector profitability, particularly through changes in the yield curve slope that affect banks' net interest margin. This study investigates the relationship between interest rate environments and Thai commercial banks' profitability during a period of dynamic monetary policy from 2005 to 2024. The study employs a dynamic model with GMM estimation to analyze quarterly data from 10 Thai commercial banks. Analyzing how yield curve characteristics affect different profitability measures across bank size and economic periods. The findings show that a 100 basis point increase in yield curve slope positively increases net interest margins by approximately 2 percentage points. For bank size, the non-D-SIB banks are more affected; a 100 basis point increase in yield curve slope raises net interest margins by about 3.3 percentage points, while systemically important banks show little to no effect. Crisis periods alter these relationships, with the 2008 financial crisis tripling the yield curve's impact on net interest margins and the COVID-19 pandemic creating persistent negative pressure of approximately 7 to 8 basis points. These results suggest that monetary policy transmission effects vary significantly across bank types, with important implications for both bank risk management and central bank policy.

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