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Bank Balance Sheet Risk Allocation with Linear Programming

We discuss a bank balance sheet risk allocation problem arising in practical banking setting. This problem involves two different kinds of risks and, therefore, does not fit into the traditional portfolio model. We solve the problem with linear programming using duality. Both primal and dual solutions have intuitive financial explanations and provides insight for practical balance sheet management strategies. This is a joint work with Dr. Judice from Montepio Bank, Portugal.