

The first part of the present work focuses on expected risk of loan portfolio in sense of capital adequacy within IRB approach with accent on input parameters PD, LGD, E and M. We deal with determining of specific provision to incurred credit loss in compliance with IAS 39 and regarding the analysis of both approaches we show, that in recent conditions specific provision does not correspond with expected loss as required by Basel II. Next we introduce the internal models for estimating PD, LGD and CF, which are inputs to the calculation of expected loss and partly specific provision. We discuss the expected loss as a factor determining the final value of a loan and we show a calculation of risk premium based on the time to default. Last we compare current method for calculation of capital requirement with method based on conditional loss given default.