

Aim of this paper is to estimate credit losses from lending business of Czech commercial banking sector in upcoming 2 years (2010 and 2011). Uncertainty about future development of credit losses has been the main impetus for such estimation since Czech economy found itself at the bottom of business cycle in mid-2009. Hence I build a system of equations based on CreditPortfolioView which enables me to estimate distribution of credit losses by Monte Carlo and to link macroeconomic development to default rates. In addition, I justify the choice of my model when alternatives do not show up in a better light. The paper forecasts stabilization of default rates between the end of 2010 and third quarter of 2011. It warns about severe repercussions for default rates and thus losses if the economy were not able to get to positive values of changes in quarterly real GDP.