

## **ABSTRACT**

The growing importance of external rating may draw increased attention to the reliability of credit risk evaluation. The aim of this thesis is to analyze a contemporary external rating position as an instrument for evaluation of a subject's ability to meet its obligations. The study provides theoretical foundations of credit risk modeling as well as empirical application to a collected data set. For the sake of validation of a selected rating system a simple default study is presented on the basis of this data set. Limited information allows just for a brief survey of short rating history in the Czech Republic. The world rating history is comprehensive and it becomes an integral part of clients' creditworthiness assessment within the New Basel Capital Accord. With its growing importance the rating has been recently facing criticism. The thesis focuses mainly on the comments on the cyclical tendencies of rating and provides an empirical analysis using data from CEE countries.