

Abstract

Adoption of internal rating based approach (IRB) for credit risk is a complex and sophisticated process. It assumes a number of requirements, improving of entire procedures and methods and sufficiency of experiences and data quality. The aim of this thesis is to show that transition to IRB approach in banking practice is not always simple and unambiguously effective. For less quantity exposures as specialized lending some calculation methods are not optimal. Conduction simple simulations of capital requirements for this category, for different rating quality of exposures and approaches within Basel II we show that capital requirements within IRB using regulatory criteria could be higher than in standardized approach. Interesting comparison provides subsequent utilization of credit mitigation techniques which are cornerstones of IRB. Overall effectiveness of the implementation depends also on its financial demands, national discretions, structure of cross-border groups for supervision and imperfections of Basel II on its own. For these reasons and present-day situation on financial markets the revision of the methodology will be necessary along with farther development of risk management methods, models and tools and strengthening national and cross-border supervision.