

## **Abstract**

Credit risk area is one of the most rapidly developing areas of finance. Constantly appearing new credit instruments as well as increasing volume of transactions produce great demand for models that could help to value and manage the risk. The existent credit migration models, however, have a number shortcomings, which make them not very useful in practice. We propose a model, which mitigate many of those problems. Examples of the model use are dynamic pricing of some credit derivatives as well different risk management applications.