

**Date:** [Insert Date]

**To:** [Insert Recipient Name/Department]

**From:** [Insert Name/Risk Management Department]

**Subject:** Announcement of Annual Credit Portfolio Default Stress Testing Scenarios

Dear [Recipient Name],

This letter serves as the formal announcement for the upcoming stress testing exercise regarding our Credit Portfolio. As part of our annual risk management framework and regulatory compliance requirements, we have finalized the default scenarios to be applied for the [Year/Quarter] testing cycle.

The objective of this exercise is to evaluate the resilience of our credit portfolio against hypothetical adverse economic conditions and to estimate potential losses under significant financial distress.

**Testing Scenarios:**

- **Baseline Scenario:** Reflects current economic forecasts and steady market performance.
- **Adverse Scenario:** Assumes a moderate recession, characterized by a [X]% increase in unemployment and a [X]% decline in GDP.
- **Severely Adverse Scenario:** Assumes a deep economic contraction, significant spikes in corporate default rates, and a sharp decline in asset valuations.

**Scope of Analysis:**

The stress test will cover all major credit segments, including [Commercial Loans, Retail Mortgages, Unsecured Credit, etc.]. Key metrics to be reported include Probability of Default (PD), Loss Given Default (LGD), and the resulting impact on Risk-Weighted Assets (RWA) and capital adequacy ratios.

**Timeline:**

- **Data Collection Deadline:** [Insert Date]
- **Model Execution Period:** [Insert Dates]
- **Final Report Submission:** [Insert Date]

Please ensure that all relevant data feeds from your department are validated and submitted by the deadline mentioned above. If you require further clarification regarding the methodology or specific macroeconomic variables, please contact the Risk Management Office.

Thank you for your cooperation in maintaining our institutional financial stability.

Sincerely,

[Your Signature]

[Your Printed Name]

[Your Title]

[Organization Name]