FHLBANK DALLAS

Member driven.
Community focused.

January 2, 2026

Dear Members:

The Federal Home Loan Bank of Dallas (Bank) understands that our members may need information on the governance and control environment at the Bank. We have prepared this letter to assist you in meeting your vendor governance and due diligence requirements and regulatory obligations.

Background on the Bank

The Bank is part of the Federal Home Loan Bank System, which is made up of eleven Federal Home Loan Banks (FHLBanks) created by Congress in the Federal Home Loan Bank Act of 1932. Each of the FHLBanks is a member-owned cooperative, and our members include commercial banks, thrifts, credit unions, insurance companies, and community development financial institutions located within our designated districts. The public purpose of the FHLBanks is to promote housing, jobs, and general prosperity through products and services that assist members in providing affordable credit in their local communities. The FHLBanks' primary business is to serve as a financial intermediary between the capital markets and our members.

The FHLBanks are regulated by the Federal Housing Finance Agency (Finance Agency), which has a statutory responsibility to ensure that the FHLBanks operate in a safe and sound manner and are able to raise funds effectively in the capital markets. In order to carry out those responsibilities, the Finance Agency establishes regulations governing the entire range of operations of the FHLBanks, conducts ongoing off-site supervision and monitoring, and performs an annual on-site examination of each FHLBank. Regulatory reports provided by the Bank to the Finance Agency are confidential under federal law and, therefore, are not available to be shared with the public.

Internal Control Environment

The Bank maintains an internal control environment that is appropriate for the risks undertaken. that includes, but is not limited to, the following:

- Oversight of the Bank's risk tolerance and risk management is provided by our Board of Directors (Board), in particular through the Board's Risk Management and Audit Committees.
- Bank management has identified key controls over the Bank's activities and periodically attests that the controls are operating effectively and that no changes are needed. The Bank's risk management process includes identifying and ensuring we manage appropriately the risks to our data, including member and consumer data.
- Specific risks, such as business continuity, compliance, fraud, vendor management, and information security risks, are overseen by designated Bank officers.

- Business continuity risk is addressed in a variety of ways. The Bank's systems and processes are designed to be resilient and, in the event of a significant disruption, the Bank has back up or alternative processing arrangements in place. Business continuity processes are tested regularly, and test results are reported to executive management and the Board.
- The Bank participates in relevant fraud and suspicious activity reporting and complies with the US Treasury's OFAC regulations.
- The Bank's vendors are subject to a formal vendor management process which includes assessment of vendor risks and ongoing monitoring. When warranted the Bank seeks independent third-party reports, such as SSAE18 reports, on vendor performance. The integrity and confidentiality of our technology environment is very important to us, and our technology team has processes in place to ensure that all systems are maintained appropriately.
- The Chief Risk Officer prepares an annual risk assessment that evaluates the risks faced by the Bank, and its control environment. The annual assessment is reviewed by senior management and the Board.
- The Bank carries customary insurance coverage for a financial institution.
- The Internal Audit Department, in accordance with the International Standards for the Professional Practice of Internal Auditing, has a program that assesses the Bank's risks and operations. It also conducts an audit program that evaluates the adequacy of the controls in place and their operating effectiveness. The Internal Audit Department reports the results of its assessment to senior management and the Board's Audit Committee. The Bank and its control environment are also subject to review by our external auditor.
- The Bank's Statement Regarding Nonpublic Personal Information of Members is posted on this website (at https://www.fhlb.com/Pages/Nonpublic-Personal-Information-Policy.aspx), and the Bank's credit ratings, stress test results, and other public information are also available on the website.

Financial and Other Information of the Bank

More information on the Bank's risk and control structure is available in our SEC filings, which can be found online at http://sec.gov. Included in our SEC filings you will find detailed information including financial statements, the Bank's Organization Certificate issued by Congress in 1932, Bylaws and Capital Plan.

Thank you for your request and please feel free to contact the Bank with any questions.

Regards,

Eric A. Blackman
Executive Vice President & Chief Audit Executive