



CAPITAL PLAN for the Federal Home Loan Bank of Dallas

Summary of Major Provisions

Amended and Updated

This summary is neither an offer to sell or exchange nor a solicitation of an offer to purchase or exchange any capital stock of the Federal Home Loan Bank of Dallas. This summary highlights key elements of the capital plan, but is not a complete description of the plan.

Last Updated: October 1, 2009

Background

The Gramm-Leach-Bliley Act of 1999 established a framework for each Federal Home Loan Bank (FHLBank) to establish a new capital structure. The new rules required each FHLBank to replace existing capital stock with a new class or classes of capital stock, establish new minimum investment requirements for members, and comply with new minimum total, leverage and risk-based capital requirements.

Regulations adopted by the Federal Housing Finance Board in January 2001 required each FHLBank to submit a capital structure plan to the Finance Board by October 29, 2001 for review and approval. The Dallas Bank's Capital Plan was approved by the Finance Board on June 12, 2002, and the Dallas Bank implemented its new capital structure on September 2, 2003. The Dallas Bank has made four minor amendments to its original capital structure plan since its initial plan was approved.

This document summarizes the major provisions of the Dallas Bank's current capital structure plan, but does not describe all of its provisions. The Capital Plan itself and the Information Statement distributed to members prior to its initial implementation provide more detail on each provision. The Capital Plan is available on the Bank's web site at www.fhlb.com, and the Information Statement is available by contacting Brehan Chapman at (214) 441-8459 or by e-mail at brehan.chapman@fhlb.com.

Stock Issued by the Dallas Bank

The statutory framework for the FHLBanks' capital structure authorizes each FHLBank to issue either or both of two classes of capital stock: Class A stock, which is redeemable with six months' written notice by a member, and Class B stock, which is redeemable with five years' written notice by a member. Each FHLBank must maintain enough total capital (capital stock plus retained earnings) to meet total and leverage capital requirements, and must maintain sufficient Class B stock plus retained earnings to meet a risk-based capital requirement. Class A stock counts toward an FHLBank's leverage and total capital requirements. Class B stock counts toward the FHLBank's total, leverage and risk-based capital requirements, and also confers an ownership interest in the retained earnings of the FHLBank.

The Dallas Bank's capital structure plan provides that the Bank will issue only Class B stock. Class B stock issued by the Bank has a par value of \$100 per share and may be purchased, repurchased, redeemed, and transferred only at its par value.

Members' Minimum Investment Requirements

Under the Dallas Bank's capital structure, members are required to maintain an investment in Class B stock equal to the sum of a membership investment requirement, calculated as a percentage of each member's total assets (with a minimum and a maximum amount), and an activity-based investment requirement. The activity-based investment requirement is calculated as a percentage of each member's advances outstanding plus the outstanding principal balance of

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certain Mortgage Partnership Finance[®] (MPF[®]) Program loans, if any, that meet certain criteria and are retained on the Bank's balance sheet. The Bank has never held and does not currently plan to hold MPF loans that require a supporting capital stock investment. Members must comply with the activity-based investment requirement for as long as the relevant advances or MPF loans remain outstanding.

The Bank's Board of Directors has the authority to periodically adjust the percentage requirements for the membership and activity-based investment requirements within ranges established in the Capital Plan to ensure the Bank remains adequately and appropriately capitalized. Although adjustments may be made at any time, the Board of Directors typically reviews minimum investment requirements early each calendar year and adopts appropriate adjustments, if any, for implementation in March or April of that year. The Bank has reduced the membership investment requirement percentage several times and the activity-based investment requirement percentage once since the implementation of its Capital Plan in 2003.

The current amounts and the authorized ranges for each component of the minimum investment requirements are indicated in the table below. Changes beyond the ranges specified in the Capital Plan and shown in this table would require the Bank's Board of Directors to adopt an amendment to the Capital Plan, which would require Finance Board approval prior to implementation.

Investment Requirement	Minimum Amount	Current Amount	Maximum Amount
Membership Investment Requirement			
Percent of each member's total assets	0.05%	0.06%	0.30%
Maximum membership investment requirement	\$10 mm	\$25 mm	\$50 mm
Minimum membership investment requirement	\$1,000	\$1,000	\$1,000
Activity-Based Investment Requirement			
Advances (percent of advances outstanding)	3.5%	4.10%	5.0%
MPF (percent of outstanding principal balance of loans retained by the Bank delivered under master commitments that were either executed after conversion to the new capital structure or executed prior to the conversion but stipulate they are subject to this requirement, none of which are currently outstanding)	0.0%	4.10%	5.0%

Stock Redemption and Repurchase

The statute and regulations that govern the FHLBanks' capital structure provide that members may redeem excess stock, or withdraw from membership and redeem all outstanding Class B stock, with five years' written notice to the Bank. This five year notice period was stipulated in the statute to add more permanence to the FHLBanks' capital structure.

The regulations, however, also allow the Dallas Bank, in its sole discretion, to repurchase members' excess stock at any time without regard for the five year notification period as long as the Bank continues to meet all of its regulatory capital requirements following any stock repurchase. The Bank may repurchase excess stock in response to a member's request, or may initiate repurchases of members' excess stock with at least 15 days' written notice. The Bank's current practice is to repurchase a portion of members' excess stock on the last business day of the month following the end of each calendar quarter (i.e., January, April, July, and October).

Although the Bank is not obligated to repurchase excess stock at any time except at the end of a five year redemption notice period, and can make no assurances about the future, the flexibility provided by the regulations has allowed the Bank to repurchase members' excess stock in the normal course of business.

Additional Information

Additional information about the Bank's capital plan may be obtained by contacting a Member Sales Officer at (800) 442-9841.