

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.

Capital Plan Last Updated: December 3, 2014

Date of Federal Housing Finance Agency Approval: June 1, 2015

Effective Date of Changes: October 1, 2015

Capital Plan Summary Last Updated: August 31, 2015

Effective Date of Changes: October 1, 2015

Background

The Gramm-Leach-Bliley Act of 1999 established a framework for each Federal Home Loan Bank (FHLBank) to establish a new capital structure. That framework 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 initial 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 several minor amendments to its original capital structure plan since its initial plan was approved. The Gramm-Leach-Bliley framework and implementing regulations remain in effect.

The Dallas Bank's Capital Plan was recently amended, and the amendments will take effect October 1, 2015. The major provisions of the amended Capital Plan are described below.

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 provides more detail on each provision. The Capital Plan is available on the Bank's website at fhlb.com or by contacting Jaime Jordan, Director of Corporate Communications, at 214.441.8442 or by email at jaime.jordan@fhlb.com, or by contacting Member Services at 844.FHL.BANK or by email at member.services@fhlb.com.

Authorized Classes of Capital Stock

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 (defined as 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.

Stock Issued by the Dallas Bank

Under the Dallas Bank's capital structure plan, the Bank issues only Class B stock. Effective October 1, 2015, the Bank will issue two sub-classes of Class B stock. Class B-1 stock can be used by members to meet their membership investment requirements as described below, while Class B-2 stock can be used to meet members' activity-based investment requirements as also described below. All 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 capital 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 membership investment requirement must be met with Class B-1 stock, while the activity-based investment requirement must be met with Class B-2 stock.

The activity-based investment requirement is calculated as a designated percentage of each member's advances outstanding plus a designated percentage of the outstanding principal balance of 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 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. In addition, the amended Capital Plan also authorizes the Bank's Board of Directors to establish reduced activity-based stock requirements for specifically designated advances offerings.

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. Reduced activity-based stock requirements for specifically designated advances offerings may be adopted at any time.

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 Agency approval prior to implementation.

Investment Requirement	Minimum Amount	Current Amount	Maximum Amount
Membership Investment Requirement			
Percent of each member's total assets	0.02%	0.04%	0.15%
Maximum membership investment requirement	\$5 mm	\$7 mm	\$25 mm
Minimum membership investment requirement	\$1,000	\$1,000	\$1,000
Activity-Based Investment Requirement			
Advances (percent of advances outstanding)	2.0%	4.10%	5.0%
Specially designated advances offerings (percent of designated advances outstanding as determined from time to time)	2.0%	May be established from time-to-time	5.0%
MPF (percent of outstanding principal balance of designated loans retained by the Bank)	0.0%	0.00%	5.0%

Dividends on Capital Stock

The Dallas Bank's Capital Plan authorized the Bank's Board of Directors to declare dividends on capital stock. Dividends may be paid in cash, additional shares of capital stock, or a combination of cash and stock. The Board of Directors is authorized to declare dividends at different rates for the two sub-classes of Class B stock, which provides the opportunity for a higher dividend rate for activity-based stock. The dividend rate for Class B-2 stock cannot be lower than the dividend rate for Class B-1 stock.

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 recent practice has been to repurchase a portion of members' excess stock 30 – 45 days after the end of each calendar quarter.

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.

Joint Capital Enhancement Agreement Provisions

The Bank's Capital Plan also includes provisions related to a Joint Capital Enhancement Agreement (JCEA) among the 11 FHLBanks that became effective February 28, 2011. In light of the fact that the FHLBanks have now completely satisfied their obligation to contribute a portion of their net income to pay a portion of the interest on REFCORP bonds, the JCEA reflects the FHLBanks' agreement to contribute the portion of their net income (20 percent) that they previously contributed to REFCORP to a restricted retained earnings account to strengthen their capital structure.

Additional Information

Additional information about the Bank's Capital Plan may be obtained by contacting Member Services at 844.FHL.BANK.

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