



May 25, 2016

**Supervisory Condition #2016-03
June 2016**

Frank C. Bonaventure, Jr., Esquire
Ober, Kaler, Grimes & Shriver, P.C.
100 Light Street
Baltimore, MD 21202

Re: Capital Distribution Application filed on behalf of Hopkins Federal Savings Bank,
Baltimore, Maryland
Charter Number 708196

Dear Mr. Bonaventure:

The Office of the Comptroller of the Currency (“OCC”) hereby conditionally approves the Capital Distribution Application (“Application”) filed by Hopkins Federal Savings Bank (“Bank”). The Bank is a federal stock savings bank that is wholly owned by Hopkins Bancorp, Inc. (“Hopkins Bancorp”), a Maryland corporation registered as a savings and loan holding company. The Bank’s Application, dated February 25, 2016 and received by the OCC on March 1, 2016 (“Application”), requests approval to pay a special dividend of \$16 million to Hopkins Bancorp with Hopkins Bancorp immediately thereafter paying the \$16 million special dividend to its stockholders. The dividend is to be made solely in conjunction with the merger of Hopkins Bancorp with and into Bay Bancorp, Inc., and the subsequent merger of the Bank with and into Bay Bank, FSB.

The OCC reviewed the Application in accordance with applicable laws, regulations, and OCC policy. Based on a thorough review of all available information, including the representations made within the Application, the OCC has concluded that the Application satisfies the applicable approval standards, provided the Bank complies with the conditions set forth herein. The OCC, therefore, approves the Application subject to the conditions set forth herein.

Interagency Bank Merger Act Application

On December 18, 2015, Hopkins Bancorp and Bay Bancorp, Inc. executed an Agreement and Plan of Merger (“Merger Agreement”). Pursuant to the Merger Agreement, Bay Bank, FSB submitted an Interagency Bank Merger Act Application dated January 22, 2016 to the OCC requesting approval for the merger of the Bank with and into Bay Bank FSB, with Bay Bank FSB remaining the surviving institution.

The Merger Agreement provides that a special one-time dividend of \$16 million would be paid on the issued and outstanding shares of Hopkins Bancorp prior to the effective time of

the merger. Given the inability of Hopkins Bancorp to pay this dividend without a like dividend from the Bank, the Application was submitted by the Bank requesting approval from the OCC to pay the \$16 million dividend to Hopkins Bancorp.

Capital Distribution Application

The Application, filed pursuant to 12 C.F.R. § 5.55, requests the OCC's approval for the Bank to pay a \$16 million special dividend to Hopkins Bancorp. The Application describes the limited circumstances under which the special dividend will be paid as follows:

“The special dividends described in this letter will be paid immediately prior to closing of the merger and only after all closing conditions to the merger are satisfied, including regulatory and shareholder approvals. The procedure for the payment of the dividend will be as follows. On or immediately prior to the effective date of the merger, each party will provide the other party with a certificate that states all closing conditions applicable to the party providing the certificate have been satisfied or waived by the other party, and that specifies the effective date and time of the merger. Such certificates will be held in escrow by legal counsel for the party receiving the certificate. The party providing the certificate will direct counsel for the receiving party to release the closing certificate upon notification from Bancorp that the \$16MM special dividend has been paid. The payment, as described above, will only be made after the certificates are provided by each party to the other party's legal counsel. If any closing conditions have not been satisfied or waived or if the parties have not agreed upon an effective date and time for the merger, the special \$ 16MM dividend will not be paid.”

The OCC has reviewed the Bank's Application pursuant to the decision criteria set forth in 12 C.F.R. § 5.55(h) and found that, while the proposed capital distribution would be objectionable outside of the context of the proposed merger, it is an integral part the proposed merger's closing and the subsequent acquisition of the Bank by Bay Bank, FSB immediately thereafter.

Condition of Approval

The OCC approves the Application subject to the condition that the special dividend will only be paid under the circumstances described in the Application and quoted above.

This condition of approval is a condition “imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request” within the meaning of 12 U.S.C. § 1818. As such, the conditions are enforceable under 12 U.S.C. § 1818.

Hopkins Federal Savings Bank

May 25, 2016

Page 3 of 3

Closing

Should you have any questions regarding the contents of this letter, please contact ADC Analyst Sarah Williams-Lopez or me at (202) 649-6510.

Sincerely,

/s

Anne Marie Fernandez
Assistant Deputy Comptroller
Washington, DC Field Office