

Territorial Bancorp Inc.  
Form 10-Q  
May 13, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period ended March 31, 2010**

**or**

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 1-34403**

**TERRITORIAL BANCORP INC.**

**(Exact Name of Registrant as Specified in Charter)**

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**Maryland**  
(State or Other Jurisdiction of Incorporation)

**26-4674701**  
(I.R.S. Employer Identification No.)

**1132 Bishop Street, Suite 2200, Honolulu, Hawaii**  
(Address of Principal Executive Offices)

**96813**  
(Zip Code)

**(808) 946-1400**

**Registrant's telephone number, including area code**

**Not Applicable**

**(Former name or former address, if changed since last report)**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the Issuer's classes of common stock as of the latest practicable date.

12,233,125 shares of Common Stock, par value \$0.01 per share, were issued and outstanding as of May 7, 2010.

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**TERRITORIAL BANCORP INC.**

Form 10-Q Quarterly Report

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**Table of Contents****PART I****ITEM 1. FINANCIAL STATEMENTS****TERRITORIAL BANCORP INC. AND SUBSIDIARIES****Consolidated Balance Sheets (Unaudited)****(Dollars in thousands, except share data)**

	<b>March 31, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 150,916	\$ 135,953
Investment securities available for sale	8,006	
Investment securities held to maturity, at amortized cost (fair value of \$601,221 and \$606,269 at March 31, 2010 and December 31, 2009, respectively)	586,459	598,394
Federal Home Loan Bank stock, at cost	12,348	12,348
Loans held for sale	4,067	1,084
Loans receivable, net	602,667	597,700
Accrued interest receivable	4,765	4,781
Premises and equipment, net	4,498	4,495
Real estate owned	159	159
Bank-owned life insurance	28,504	28,249
Prepaid expenses and other assets	6,436	6,449
<b>Total assets</b>	<b>\$ 1,408,825</b>	<b>\$ 1,389,612</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Liabilities</b>		
Deposits	\$ 1,044,288	\$ 1,014,668
Securities sold under agreements to repurchase	105,200	130,200
Investment purchases pending settlement	13,085	
Accounts payable and accrued expenses	21,393	18,837
Current income taxes payable	1,522	670
Deferred income taxes payable	1,469	2,661
Advance payments by borrowers for taxes and insurance	1,753	2,905
<b>Total liabilities</b>	<b>1,188,710</b>	<b>1,169,941</b>
<b>Commitments and contingencies</b>		
<b>Stockholders Equity</b>		
Preferred stock, \$.01 par value; authorized 50,000,000 shares, no shares issued or outstanding		
Common stock, \$.01 par value; authorized 100,000,000 shares; issued and outstanding 12,233,125 shares at March 31, 2010 and December 31, 2009	122	122
Additional paid-in capital	118,934	118,823
Unearned ESOP shares	(9,175)	(9,297)
Retained earnings	111,980	111,082
Accumulated other comprehensive loss	(1,746)	(1,059)

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Total stockholders' equity	220,115	219,671
Total liabilities and stockholders' equity	\$ 1,408,825	\$ 1,389,612

See accompanying notes to consolidated financial statements.

**Table of Contents****TERRITORIAL BANCORP INC. AND SUBSIDIARIES****Consolidated Statements of Income (Unaudited)**

(Dollars in thousands, except per share data)

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Interest and dividend income:</b>		
Investment securities	\$ 6,807	\$ 6,272
Loans	8,529	9,448
Other investments	76	
<b>Total interest and dividend income</b>	<b>15,412</b>	<b>15,720</b>
<b>Interest expense:</b>		
Deposits	2,959	3,794
Advances from the Federal Home Loan Bank		33
Securities sold under agreements to repurchase	1,084	1,214
Subordinated debentures and other borrowings		301
<b>Total interest expense</b>	<b>4,043</b>	<b>5,342</b>
<b>Net interest income</b>	<b>11,369</b>	<b>10,378</b>
<b>Provision for loan losses</b>		<b>1,102</b>
<b>Net interest income after provision for loan losses</b>	<b>11,369</b>	<b>9,276</b>
<b>Non-interest income:</b>		
Total other-than-temporary impairment losses	(3,510)	(436)
Portion of loss recognized in other comprehensive income (before taxes)	1,106	138
<b>Net other-than-temporary impairment losses</b>	<b>(2,404)</b>	<b>(298)</b>
Service fees on loan and deposit accounts	623	667
Income on bank-owned life insurance	255	255
Gain on sale of investment securities	68	
Gain on sale of loans	80	799
Other	46	74
<b>Total non-interest income</b>	<b>(1,332)</b>	<b>1,497</b>
<b>Non-interest expense:</b>		
Salaries and employee benefits	4,660	3,797
Occupancy	1,139	1,130
Equipment	716	704
Federal deposit insurance premiums	292	134
Other general and administrative expenses	982	870

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Total non-interest expense	7,789	6,635
Income before income taxes	2,248	4,138
Income taxes	787	1,467
Net income	\$ 1,461	\$ 2,671
Basic earnings per share	\$ .13	N/A
Cash dividends declared per common share	\$ .05	N/A
Basic weighted average shares outstanding	11,309,596	N/A

See accompanying notes to consolidated financial statements.

**Table of Contents****TERRITORIAL BANCORP INC. AND SUBSIDIARIES**

Consolidated Statements of Stockholders' Equity

and Comprehensive Income (Unaudited)

(Dollars in thousands, except share data)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders Equity	
Balances at December 31, 2008	\$			100,897	(1,516)	99,381	
Cumulative effect from adoption of FASB ASC Topic 320, net of taxes of \$958				1,524	(1,524)		
Balances at December 31, 2008, as revised	\$			102,421	(3,040)	99,381	
Comprehensive income:							
Net income				2,671		2,671	
Other comprehensive loss, net of tax:							
Investment securities:							
Noncredit related losses on securities not expected to be sold, net of taxes of \$53					(85)	(85)	
Total comprehensive income						2,586	
Balances at March 31, 2009	\$			105,092	(3,125)	101,967	
Balances at December 31, 2009	\$	122	118,823	(9,297)	111,082	(1,059)	219,671
Comprehensive income:							
Net income				1,461		1,461	
Other comprehensive loss, net of tax:							
Investment securities:							
Noncredit related losses on securities not expected to be sold, net of taxes of \$427					(679)	(679)	
Unrealized loss on investment securities available for sale, net of taxes of \$5					(8)	(8)	
Total comprehensive income						774	
Cash dividends declared				(563)		(563)	
Allocation of 12,233 ESOP shares							