

Territorial Bancorp Inc.  
Form 10-Q  
August 08, 2011  
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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 June 30, 2011

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.

11,579,493 shares of Common Stock, par value \$0.01 per share, were issued and outstanding as of July 31, 2011.

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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>June 30, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 124,250	\$ 194,435
Investment securities available for sale	0	15,010
Investment securities held to maturity, at amortized cost (fair value of \$662,186 and \$546,844 at June 30, 2011 and December 31, 2010, respectively)	642,112	530,555
Federal Home Loan Bank stock, at cost	12,348	12,348
Loans held for sale	1,764	3,234
Loans receivable, net	661,408	641,790
Accrued interest receivable	4,942	4,536
Premises and equipment, net	5,497	5,426
Real estate owned	162	0
Bank-owned life insurance	29,747	29,266
Deferred income taxes receivable	1,090	22
Prepaid expenses and other assets	4,889	6,790
Total assets	\$ 1,488,209	\$ 1,443,412
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Liabilities		
Deposits	\$ 1,107,021	\$ 1,076,470
Advances from the Federal Home Loan Bank	20,000	10,000
Securities sold under agreements to repurchase	115,200	105,200
Accounts payable and accrued expenses	19,005	20,430
Current income taxes payable	1,416	577
Advance payments by borrowers for taxes and insurance	3,043	3,376
Total liabilities	1,265,685	1,216,053
Commitments and contingencies		
Stockholders Equity		
Preferred stock, \$.01 par value; authorized 50,000,000 shares, no shares issued or outstanding	0	0
Common stock, \$.01 par value; authorized 100,000,000 shares; issued and outstanding 11,592,590 and 12,177,418 shares at June 30, 2011 and December 31, 2010, respectively	116	122
Additional paid-in capital	109,294	119,153
Unearned ESOP shares	(8,563)	(8,808)
Retained earnings	123,995	119,397
Accumulated other comprehensive loss	(2,318)	(2,505)
Total stockholders equity	222,524	227,359

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Total liabilities and stockholders' equity	\$ 1,488,209	\$ 1,443,412
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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)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
<b>Interest and dividend income:</b>				
Investment securities	\$ 6,889	\$ 6,641	\$ 13,260	\$ 13,448
Loans	8,763	8,582	17,646	17,111
Other investments	81	99	173	175
<b>Total interest and dividend income</b>	<b>15,733</b>	<b>15,322</b>	<b>31,079</b>	<b>30,734</b>
<b>Interest expense:</b>				
Deposits	1,701	2,970	3,409	5,929
Advances from the Federal Home Loan Bank	104	45	190	45
Securities sold under agreements to repurchase	1,052	1,057	2,086	2,141
<b>Total interest expense</b>	<b>2,857</b>	<b>4,072</b>	<b>5,685</b>	<b>8,115</b>
<b>Net interest income</b>	<b>12,876</b>	<b>11,250</b>	<b>25,394</b>	<b>22,619</b>
Provision for loan losses	14	158	122	158
<b>Net interest income after provision for loan losses</b>	<b>12,862</b>	<b>11,092</b>	<b>25,272</b>	<b>22,461</b>
<b>Non-interest income:</b>				
Total other-than-temporary impairment losses	0	0	0	(3,510)
Portion of loss recognized in other comprehensive income (before taxes)	0	0	0	1,106
<b>Net other-than-temporary impairment losses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,404)</b>
Service fees on loan and deposit accounts	598	665	1,156	1,288
Income on bank-owned life insurance	241	254	480	509
Gain on sale of investment securities	0	282	66	350
Gain on sale of loans	92	175	236	255
Other	292	102	411	148
<b>Total non-interest income</b>	<b>1,223</b>	<b>1,478</b>	<b>2,349</b>	<b>146</b>
<b>Non-interest expense:</b>				
Salaries and employee benefits	5,487	4,347	10,613	9,007
Occupancy	1,226	1,143	2,447	2,282
Equipment	808	734	1,574	1,450
Federal deposit insurance premiums	191	298	487	590
Other general and administrative expenses	933	909	1,933	1,891
<b>Total non-interest expense</b>	<b>8,645</b>	<b>7,431</b>	<b>17,054</b>	<b>15,220</b>
<b>Income before income taxes</b>	<b>5,440</b>	<b>5,139</b>	<b>10,567</b>	<b>7,387</b>
Income taxes	2,055	1,904	4,182	2,691

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Net income	\$	3,385	\$	3,235	\$	6,385	\$	4,696
Basic earnings per share	\$	0.31	\$	0.29	\$	0.57	\$	0.41
Diluted earnings per share	\$	0.30	\$	0.29	\$	0.57	\$	0.41
Cash dividends declared per common share	\$	0.09	\$	0.05	\$	0.16	\$	0.10
Basic weighted average shares outstanding		10,992,653		11,321,814		11,126,781		11,315,738
Diluted weighted average shares outstanding		11,120,248		11,321,814		11,239,913		11,315,738
See accompanying notes to consolidated financial statements.								

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**TERRITORIAL BANCORP INC. AND SUBSIDIARIES**

**Consolidated Statements of Stockholders' Equity**

**and Comprehensive Income (Unaudited)**

**(Dollars in thousands)**

**Common  
Stock**