

Territorial Bancorp Inc.
Form 10-Q
November 08, 2011
[Table of Contents](#)

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 September 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)

Edgar Filing: Territorial Bancorp Inc. - Form 10-Q

Maryland (State or Other Jurisdiction)	26-4674701 (I.R.S. Employer
of Incorporation)	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.

11,044,031 shares of Common Stock, par value \$0.01 per share, were issued and outstanding as of October 31, 2011.

Table of Contents

TERRITORIAL BANCORP INC.

Form 10-Q Quarterly Report

Table of Contents

PART I

ITEM 1.	<u>FINANCIAL STATEMENTS</u>	1
ITEM 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	24
ITEM 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	38
ITEM 4.	<u>CONTROLS AND PROCEDURES</u>	40

PART II

ITEM 1.	<u>LEGAL PROCEEDINGS</u>	41
ITEM 1A.	<u>RISK FACTORS</u>	41
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	41
ITEM 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	41
ITEM 4.	<u>[RESERVED]</u>	41
ITEM 5.	<u>OTHER INFORMATION</u>	42
ITEM 6.	<u>EXHIBITS</u>	42
	<u>SIGNATURES</u>	43

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

	September 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	\$ 132,448	\$ 194,435
Investment securities available for sale	0	15,010
Investment securities held to maturity, at amortized cost (fair value of \$694,996 and \$546,844 at September 30, 2011 and December 31, 2010, respectively)	658,574	530,555
Federal Home Loan Bank stock, at cost	12,348	12,348
Loans held for sale	2,987	3,234
Loans receivable, net	662,734	641,790
Accrued interest receivable	4,882	4,536
Premises and equipment, net	5,564	5,426
Real estate owned	162	0
Bank-owned life insurance	29,991	29,266
Deferred income taxes receivable	1,029	22
Prepaid expenses and other assets	5,247	6,790
Total assets	\$ 1,515,966	\$ 1,443,412
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Deposits	\$ 1,139,317	\$ 1,076,470
Advances from the Federal Home Loan Bank	20,000	10,000
Securities sold under agreements to repurchase	120,200	105,200
Accounts payable and accrued expenses	19,727	20,430
Current income taxes payable	416	577
Advance payments by borrowers for taxes and insurance	2,088	3,376
Total liabilities	1,301,748	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 11,124,553 and 12,177,418 shares at September 30, 2011 and December 31, 2010, respectively	111	122
Additional paid-in capital	98,842	119,153
Unearned ESOP shares	(8,441)	(8,808)
Retained earnings	126,022	119,397
Accumulated other comprehensive loss	(2,316)	(2,505)

Edgar Filing: Territorial Bancorp Inc. - Form 10-Q

Total stockholders' equity	214,218	227,359
Total liabilities and stockholders' equity	\$ 1,515,966	\$ 1,443,412

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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Interest and dividend income:				
Investment securities	\$ 6,907	\$ 6,371	\$ 20,167	\$ 19,819
Loans	8,798	8,907	26,444	26,018
Other investments	85	115	258	290
Total interest and dividend income	15,790	15,393	46,869	46,127
Interest expense:				
Deposits	1,700	2,555	5,109	8,484
Advances from the Federal Home Loan Bank	105	54	295	99
Securities sold under agreements to repurchase	1,067	1,070	3,153	3,211
Total interest expense	2,872	3,679	8,557	11,794
Net interest income	12,918	11,714	38,312	34,333
Provision (reversal of allowance) for loan losses	(39)	118	83	276
Net interest income after provision for loan losses	12,957	11,596	38,229	34,057
Non-interest income:				
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
Net other-than-temporary impairment losses	0	0	0	(2,404)
Service fees on loan and deposit accounts	534	546	1,690	1,834
Income on bank-owned life insurance	245	256	725	765
Gain on sale of investment securities	74	0	140	350
Gain on sale of loans	138	165	374	420
Other	177	76	588	224
Total non-interest income	1,168	1,043	3,517	1,189
Non-interest expense:				
Salaries and employee benefits	6,017	4,526	16,630	13,533
Occupancy	1,267	1,146	3,714	3,428
Equipment	792	734	2,366	2,184
Federal deposit insurance premiums	191	308	678	898
Other general and administrative expenses	954	952	2,887	2,843
Total non-interest expense	9,221	7,666	26,275	22,886

Edgar Filing: Territorial Bancorp Inc. - Form 10-Q

Income before income taxes	4,904	4,973	15,471	12,360
Income taxes	1,918	1,839	6,100	4,530
Net income	\$ 2,986	\$ 3,134	\$ 9,371	\$ 7,830
Basic earnings per share	\$ 0.28	\$ 0.28	\$ 0.85	\$ 0.69
Diluted earnings per share	\$ 0.28	\$ 0.28	\$ 0.84	\$ 0.69
Cash dividends declared per common share	\$ 0.09	\$ 0.07	\$ 0.25	\$ 0.17
Basic weighted average shares outstanding	10,659,532	11,334,058	10,969,320	11,321,912
Diluted weighted average shares outstanding	10,835,649	11,344,622	11,117,444	11,356,737
See accompanying notes to consolidated financial statements.				