

**TERRITORIAL BANCORP INC.
POLICY AND PROCEDURES FOR APPROVAL OF
RELATED PERSON TRANSACTIONS**

I. Purpose

The purpose of the Policy and Procedures for Approval of Related Person Transactions (the “Policy”) is to establish a procedure for the review and approval of material transactions between Territorial Bancorp Inc. (the “Company”) and “Related Persons”, as defined below.

II. Definitions

“Related Person Transaction” means any financial transaction, arrangement or relationship or series of similar transactions, arrangements or relationships involving the Company where the amount involved exceeds or is expected to exceed \$50,000 and in which any Related Person, as defined herein, had or will have a direct or indirect material interest.

Related Person Transaction also includes any material amendment or modification to an existing Related Person Transaction. Related Person Transaction excludes certain transactions, including:

- any compensation paid to an executive officer of the Company if the Compensation Committee of the Board of Directors approved (or recommended that the Board of Directors approve) such compensation;
- any compensation paid to a director of the Company if the Board or an authorized committee of the Board of Directors approved such compensation; and
- any transaction with a Related Person involving consumer and investor financial products and services provided in the ordinary course of the Company’s business and on substantially the same terms as those prevailing at the time for comparable services provided to persons unrelated to the Company, or to the Company’s employees on a broad basis (and, in the case of loans, in compliance with the Sarbanes-Oxley Act of 2002).

“Related Person” means any of the following:

- directors (which term when used herein includes any director nominee);
- executive officers;
- persons known by the Company to be the beneficial owners of more than 5% of the Company's common stock (a “5% Stockholder”); or

- persons known by the Company to be Immediate Family Members of any of the foregoing.

“Immediate Family Member” means a child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such director, executive officer or 5% Stockholder, and any person (other than a tenant or employee) sharing the household of such director, executive officer or 5% Stockholder.

III. Review and Approval of Related Person Transactions

The Audit Committee of the Board of Directors, or such other committee of the Board of Directors as the Board determines (the “Committee”), shall review periodically, but no less frequently than once a year, a summary of the Company’s Related Person Transactions, including the terms of the transactions, the business purpose of the transactions, and the benefits to the Company and to the relevant Related Person. In determining whether to approve or ratify a Related Person Transaction, the Committee will consider, among other factors, the following factors to the extent relevant to the Related Person Transaction:

- if the terms of the proposed transaction are at least as favorable to the Company as those that might be achieved with an unaffiliated third party;
- the size of the transaction and the amount of consideration payable to the Related Person;
- the nature of the interest of the Related Person;
- if the transaction may involve a conflict of interest; and
- if the transaction involves the provision of goods and services to the Company that are available from unaffiliated third parties.

A member of the Committee that has an interest in the transaction will abstain from voting on the decision to recommend approval or ratification of the transaction, but may participate in some or all of the discussion. Upon completion of its review of the transaction, the Committee may determine to permit or to prohibit the Related Party Transaction.

A Related Party Transaction entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

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