

**TERRITORIAL BANCORP INC.
AND
TERRITORIAL SAVINGS BANK**

Code of Ethics and Business Conduct

This Code of Ethics and Business Conduct (the “Code”) represents an overview of the corporate policies that should govern the actions of all employees, officers and directors of Territorial Bancorp Inc. (the “Company”) and its subsidiaries, including Territorial Savings Bank (the “Bank”). It is not a replacement for policies and procedures that address the specifics of our business or which may impose stricter or more detailed requirements. No code of conduct can cover every potential situation. The Code is designed to provide written standards to promote honest and ethical conduct, compliance with law and a vehicle for prompt internal reporting and accountability to assure adherence to the Code. It is, therefore, your responsibility to apply the principles set forth in this Code in a responsible fashion and with the exercise of good business judgment. This Code is in addition to but does not replace any policies in the Employee Handbook which also applies to all employees and officers of the Bank.

Certain parts of this Code may apply specifically to “executive officers.” Executive officer means a member of the Company’s or its subsidiaries’ management so designated by resolution of the Board of Directors.

The policies and procedures contained in this Code do not constitute a legal contract and may be changed, modified or discontinued from time to time without notice (except as required by law) and in the sole discretion of the Company and the Bank. Failure to adhere to these policies and procedures may result in disciplinary action up to and including dismissal.

Except as otherwise provided by written agreement or applicable law, persons employed by the Company or its subsidiaries, including the Bank, are employed at will, and the Company reserves the right to take employment action, including termination, at any time for any reason without notice.

TABLE OF CONTENTS

FINANCIAL POLICIES	1
USE OF COMPANY ASSETS	1
AUTHORITY TO MAKE COMMITMENTS	1
BRIBES AND OTHER ILLEGAL CORPORATE PAYMENTS	1
RELATIONS WITH GOVERNMENT EMPLOYEES.....	1
INTEGRITY OF RECORDS AND REPORTS	2
REPORTS TO MANAGEMENT	2
PAYMENTS AND DISBURSEMENTS	2
CASH DEPOSITS AND BANK ACCOUNTS.....	2
COOPERATION WITH INQUIRIES.....	2
CONFLICTS OF INTEREST	2
FAMILY MEMBERS	3
OWNERSHIP IN OTHER BUSINESSES	3
DISCLOSURE REQUIRED - <i>WHEN IN DOUBT, ASK!</i>	3
ACCEPTING GIFTS AND GRATUITIES	3
ACCEPTING THINGS OF VALUE	3
PERMITTED TRANSACTIONS	3
OTHER TRANSACTIONS.....	4
CORPORATE OPPORTUNITIES	4
MARKETING PRACTICES AND ANTITRUST	4
MARKETING PRACTICES.....	4
ANTITRUST	5
CONFIDENTIAL INFORMATION	5
PUBLIC DISCLOSURES	5
PROPER DISCLOSURES	6
EXAMINATIONS, GOVERNMENT INVESTIGATIONS AND LITIGATION	6
REGULATORY EXAMINATIONS.....	6
GOVERNMENT INVESTIGATIONS	6
PENALTIES	6
LITIGATION	7
PRESERVATION OF RECORDS.....	7
DETAILED POLICIES AND PROCEDURES.....	7
ADMINISTRATION OF THE CODE OF ETHICS AND BUSINESS CONDUCT	7
HOW TO ASK A QUESTION.....	8
HOW TO REPORT A VIOLATION (OTHER THAN VIOLATIONS INVOLVING ACCOUNTING, INTERNAL CONTROLS OR AUDITING MATTERS)	8

HOW TO REPORT A VIOLATION INVOLVING ACCOUNTING, INTERNAL CONTROLS OR AUDITING MATTERS	8
FOLLOW-UP TO THE REPORT OF A VIOLATION	8
DETERMINING WHETHER A VIOLATION HAS OCCURRED.....	8
CONFIDENTIALITY	9
NO RETALIATION	9
CONSEQUENCES OF A VIOLATION	9
PRIOR APPROVALS.....	9
WAIVERS.....	9
UPDATES AND CHANGES.....	10
CONTACTS	10
TO ASK QUESTIONS AND/OR TO REPORT VIOLATIONS	10
KEY CONTACTS	10

APPENDIX A

SOX WHISTLEBLOWER PROCEDURES FOR EMPLOYEES -- PROCEDURES FOR COMPLAINTS REGARDING ACCOUNTING, INTERNAL CONTROLS AND AUDITING MATTERS

NOTE: *Throughout the Code of Ethics and Business Conduct, the term “Company” refers to Territorial Bancorp Inc. and/or any subsidiaries in which an employee works, depending on context.*

FINANCIAL POLICIES

Use of Company Assets

The Company's assets are to be used exclusively in the pursuit of the Company's business except for minimal personal use authorized by your supervisor in accordance with other Company policies. The Company's assets include equipment, facilities, supplies, services such as telephones and computer networks, and the time and efforts of its employees. You should not use Company assets for personal gain or convenience, or make Company assets available for the gain or convenience of anyone else, or for any purpose other than conducting the Company's business unless you have management authorization to do so.

Authority to Make Commitments

Only specific employees are authorized to make financial or other commitments on behalf of the Company. Commitments might be such things as approving a loan or other extension of credit, ordering equipment or materials, authorizing business travel, approving payment of an invoice or expense report, authorizing budgets or budget overruns, signing leases or other contracts, selling Company assets, settling litigation or other claims, borrowing money, setting compensation or employee benefits, making charitable contributions and other transactions. These authorizations are in writing and are governed by corporate policies. You should not make a Company commitment unless you have the authority to do so.

Bribes and Other Illegal Corporate Payments

The use of Company funds for payments to any individual, company or organization for the purpose of obtaining favorable treatment in securing business or other special considerations is prohibited. This policy does not prohibit normal and customary business expenses such as reasonable entertainment, trade organization dues or similar expenses that are allowed by applicable Company policies, which must be properly reported on an appropriate expense report form.

Relations with Government Employees

The U.S. government has various regulations prohibiting government personnel from accepting entertainment, gifts, gratuities or other business courtesies that may be acceptable in the private commercial sector. All Company employees who may have to make these sorts of judgments must understand and comply with the letter and intent of such regulations.

Integrity of Records and Reports

The Company's accounting records are relied upon to produce reports to the Company's management, shareholders, government agencies and others. All Company accounting records and reports produced from those records shall be kept and presented in a timely fashion and in accordance with the laws of each applicable jurisdiction. Such records and reports must accurately and fairly reflect in reasonable detail the Company's assets, liabilities, revenues and expenses.

Responsibility for accurate and complete financial records does not rest solely with the Company's accounting employees. All employees involved in approving transactions, supplying supporting information for transactions and determining account classifications have responsibility for complying with our policies.

Reports to Management

The same high standards required in the Company's external reporting apply to financial reports to management. Accruals and estimates included in internal reports (such as business plans, budgets and forecasts) shall be supported by appropriate documentation and based on good-faith judgment.

Payments and Disbursements

All payments made by or on behalf of the Company must be documented in the accounting records with appropriate approval(s) and an adequate description of the business purpose of the disbursement.

Cash Deposits and Bank Accounts

All cash received by the Company shall be promptly recorded in the accounting records and deposited in a bank account properly authorized by the Company. All bank accounts and other cash accounts shall be clearly and accurately recorded in the accounting records. No unrecorded accounts, funds or assets shall be established for any purpose.

Cooperation with Inquiries

Employees shall provide complete and accurate information in response to inquiries from the Company's internal and outside independent auditors as well as the Company's General Counsel or outside legal counsel.

CONFLICTS OF INTEREST

You must carry out your professional responsibilities with integrity and with a sense of loyalty to the Company. You must avoid any situation that involves a possible conflict or an appearance of a conflict of interest between your personal interests and the interests of the Company. Knowingly acting in a manner that presents a conflict between your personal interests and the best interests of the Company is a violation of this Code.

A conflict of interest cannot be defined precisely, only illustrated. The basic factor that exists in all conflict situations is a division of loyalty between the Company's best interests and the personal

interest of the individual. Many, but not all, conflict situations arise from personal loyalties or personal financial dealings. It is impossible to list every circumstance giving rise to a possible conflict of interest, but the following illustrates the types of situations that may cause conflicts.

Family Members

A conflict of interest may exist when the Company does business with or competes with an organization in which a family member has an ownership or employment interest. "Family members" include a spouse, parents, children, siblings and in-laws. You may not conduct business on behalf of the Company with family members or an organization with which you or a family member is associated unless you receive prior written approval under this Code.

Ownership in Other Businesses

You cannot own, directly or indirectly, a significant financial interest in any business entity that does business with or is in competition with the Company unless you receive prior written approval under this Code. As a guide, "a significant financial interest" is defined as ownership by an employee and/or family members of more than 1% of the outstanding securities/capital value of a corporation or that represents more than 5% of the total assets of the employee and/or family members.

Disclosure Required - *When in Doubt, Ask!*

You should avoid any actual or apparent conflict of interest. Conflicts can arise unexpectedly and prompt disclosure is *critically important*. Employees must disclose existing or emerging conflicts of interest (including personal relationships that could reasonably be considered to create conflicts) to their manager and follow the guidance provided. Executive officers and directors must disclose existing or emerging conflicts of interest to the Chief Executive Officer.

ACCEPTING GIFTS AND GRATUITIES

Accepting Things of Value

Except as provided below, you may not solicit or accept for yourself or for a third party anything of value from anyone in return for any business, service or confidential information of the Company. Things of value include gifts, meals, favors, services and entertainment. The purpose of this policy is to ensure that the Company's business is safeguarded from undue influence of bribery and personal favors.

The solicitation of and acceptance of things of value is generally prohibited by the Bank Bribery Act. Violations may be punished by fines and imprisonment.

Permitted Transactions

The following transactions are permitted and will be considered as exceptions to the general prohibition against accepting things of value:

- Acceptance of gifts, gratuities, amenities or favors based on family or personal relationships when the circumstances make clear that it is those relationships, rather than the business of the Company, that are the motivating factors;

- Acceptance of meals, refreshments, travel arrangements, accommodations or entertainment, all of a reasonable value, in the course of a meeting or other occasion, the purpose of which is to hold bona fide business discussions or to foster better business relations, provided that the expense would be paid for by the Company as a reasonable business expense if not paid for by another party;
- Acceptance of advertising or promotional material of reasonable value, such as pens, pencils, note pads, key chains, calendars and similar items;
- Acceptance of discounts or rebates on merchandise or services that do not exceed those available to other customers;
- Acceptance of gifts of reasonable value related to commonly recognized events or occasions, such as a promotion, new job, wedding, retirement, birthday or holiday; or
- Acceptance of civic, charitable, education or religious organizational awards for recognition of service and accomplishment.

Other Transactions

If you are offered or receive something of value beyond what is permitted in this Code, you must obtain prior approval before you may accept or keep it. Transactions other than those described above may be approved so long as approval is consistent with the Bank Bribery Act. If you are at all uncertain as to whether you may accept something of value, do not hesitate to ask.

CORPORATE OPPORTUNITIES

Directors and officers of the Company stand in a fiduciary relationship to the Company. It is a breach of this duty for any such person to take advantage of a business opportunity for his or her own personal profit or benefit when the opportunity is within the corporate powers of the Company and when the opportunity is of present or potential practical advantage to the Company, unless the Board of Directors knowingly elects not to avail itself of such opportunity and the director's or officer's participation is approved in advance by the Board. It is the policy of the Company that no director or executive officer appropriates a corporate opportunity without the consent of the Board of Directors.

MARKETING PRACTICES AND ANTITRUST

Marketing Practices

The Company's products and services must be sold fairly and honestly. You should not attempt to take advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair practice. Many of the products and services provided by the Company are subject to laws and regulations that specify the information that must be provided to the Company's customers. It is the policy of the Company to comply fully with these disclosure requirements.

Antitrust

The antitrust laws are intended to foster free and open competition and it is important that the Company comply with the letter and the spirit of such laws. Agreements that reduce business competition are a core concern of the antitrust laws and violations may result in severe civil and criminal penalties to the Company and to individuals. Antitrust laws pertain to dealings with customers and suppliers as well as competitors.

In some cases, depending on the circumstances, the antitrust laws prohibit discussions among competitors about competitively sensitive subjects. The most serious antitrust violations are agreements among competitors that directly restrict competition among them.

These include agreements:

- To raise, lower or stabilize prices;
- To divide the areas in which they will do business or the customers they will serve; or
- To refuse to deal with certain customers or suppliers.

Conduct intended to drive a competitor out of business may also violate antitrust laws. It is the policy of the Company to fully comply with all applicable antitrust laws.

Antitrust is a complex area of the law and violations have serious consequences for the Company and for individuals personally. The Company's General Counsel or outside legal counsel should be consulted with any questions.

CONFIDENTIAL INFORMATION

Privacy of Customer Information

The Company is entrusted with important information about individuals and businesses. It is essential that you respect the confidential nature of this information. The Company is legally obliged to protect the privacy of a consumer's personal financial information. The Company's privacy practices are set out in a privacy policy that is circulated to our customers and made available to the public. All employees are expected to adhere to the Company's privacy policy.

Public Disclosures

You may be asked for information about the Company by the media, trade groups, consultants and others collecting information for various purposes. You should not make public statements on behalf of the Company or provide confidential information in response to external inquiries unless you have been authorized to do so.

Proper Disclosures

Some employees must disclose confidential Company information as a part of their job responsibilities. This policy on confidential information is not intended to prohibit such authorized disclosures.

A few examples of situations in which confidential information might properly be disclosed are:

- Disclosure of operational data to vendors or consultants in connection with providing services to the Company;
- Participation in legitimate and authorized industry surveys;
- Providing data to governmental agencies as part of required filings; or
- An authorized employee responding to media inquiries.

You should be certain that you understand what you have been authorized to disclose, and to whom, prior to disclosing any confidential information.

EXAMINATIONS, GOVERNMENT INVESTIGATIONS AND LITIGATION

Regulatory Examinations

The Company and its subsidiaries are subject to examination by federal banking regulators. It is Company policy to cooperate fully with the Company's regulators.

Government Investigations

It is Company policy to cooperate with reasonable and valid requests by federal, state or local government investigators. At the same time, the Company is entitled to all the safeguards provided in the law for persons under investigation, including representation by legal counsel.

Accordingly, if a government investigator requests an interview with you, seeks information or access to files, or poses written questions, he/she should be told that you must first consult with the Company's General Counsel. You should immediately contact the Chief Executive Officer, who will then provide advice as to further action.

Penalties

You should be aware that criminal sanctions could be imposed upon any person who submits false or misleading information to the government in connection with any regulatory examination or government investigation. Full cooperation and proper legal supervision of any response in connection with a regulatory examination or government investigation is essential from both corporate and individual viewpoints.

Litigation

In the event any litigation is begun or threatened against the Company, notify the Chief Executive Officer immediately, even if the action or threats appear to be without merit or insignificant.

Preservation of Records

All records relating to the business of the Company shall be retained as required by the Company's record retention guidelines. Notwithstanding such guidelines, under no circumstances shall any records known to be the subject of or germane to any anticipated, threatened or pending lawsuit, governmental or regulatory investigation, or bankruptcy proceeding be removed, concealed or destroyed.

DETAILED POLICIES AND PROCEDURES

This Code does not contain all of the policies of the Company and its subsidiaries or all of the details of the policies that are included. The Company and/or its subsidiaries have written policies and procedures that provide more information on some of the topics in this Code of Ethics and Business Conduct.

Talk to your supervisor about the Company's policies and procedures that you are responsible for following in your job and make sure that you have reviewed and understand them.

ADMINISTRATION OF THE CODE OF ETHICS AND BUSINESS CONDUCT

Every Employee Has an Obligation to:

- **Comply** with this Code of Ethics and Business Conduct, which prohibits violation of local, state, federal or foreign laws and regulations applicable to our businesses, and requires compliance with all Company policies;
- **Be familiar** with laws and Company policies applicable to his/her job and communicate them effectively to subordinates;
- **Ask questions** if a policy or the action to take in a specific situation is unclear;
- **Be alert** to indications and/or evidence of possible wrongdoing; and
- **Report** violations and suspected violations of this Code of Ethics and Business Conduct to the appropriate person as described in "How to Report a Violation" below and elsewhere in this Code.

The Company's managers have a particular responsibility to notice and question incidents, circumstances and behaviors that point to a reasonable possibility that a violation of this Code has occurred. A manager's failure to follow up on reasonable questions is, in itself, a violation of Company policy.

How to Ask a Question

Whenever possible, an employee should work with his/her immediate supervisor to get answers to routine questions.

If a supervisor's answer does not resolve a question or if an employee has a question that he/she cannot comfortably address to his/her supervisor, he/she should go to the Chief Executive Officer.

Executive officers and directors may bring any questions to the Chief Executive Officer or the Chairman of the Audit Committee.

How to Report a Violation (Other than Violations Involving Accounting, Internal Controls or Auditing Matters)

Any employee having information about a violation (or suspected violation) of this Code should report the violation in writing to the Chief Executive Officer.

Executive officers and directors may submit any reports of violations (or suspected violations) of this Code in writing to the Chief Executive Officer or the Chairman of the Audit Committee.

If the violation involves the Chief Executive Officer or the Chairman of the Audit Committee, then the employee should report the violation by informing the Chief Financial Officer.

How to Report a Violation Involving Accounting, Internal Controls or Auditing Matters

Concerns regarding questionable accounting, internal control or auditing matters should be handled under the procedures for confidential, anonymous submissions established by the Audit Committee and set forth in Appendix A -- SOX WHISTLEBLOWER PROCEDURES FOR EMPLOYEES.

Follow-up to the Report of a Violation

The Chief Executive Officer may arrange a meeting with the employee to allow the employee to present a complete description of the situation. The Chief Executive Officer will take the matter under consideration, including undertaking any necessary investigation or evaluation of the facts related to the situation and, after consultation with the Chief Financial Officer, shall render a written decision, response or explanation as expeditiously as possible. Individuals who are alleged to be involved in a violation will not participate in its investigation.

Determining Whether a Violation Has Occurred

If the alleged violation of this Code concerns an executive officer or director, the determination of whether a violation has occurred shall be made by the Audit Committee of the Board of Directors, in consultation with such external legal counsel as the Audit Committee deems appropriate.

If the alleged violation concerns any other employee, the determination of whether a violation has occurred shall be made by the Chief Executive Officer, in consultation with such legal counsel as the Audit Committee deems appropriate.

In determining whether a violation of this Code has occurred, the committee or person making such determination may take into account to what extent the violation was intentional, the materiality of the violation from the perspective of either the detriment to the Company or the benefit to the director, executive officer or employee, the policy behind the provision violated and such other facts and circumstances as they shall deem advisable.

Acts or omissions determined to be violations of this Code by other than the Audit Committee under the process set forth above shall be promptly reported by the Chief Executive Officer to the Audit Committee and by the Audit Committee to the Board.

Confidentiality

Reports of suspected violations will be kept confidential to the extent possible and consistent with the conduct of an appropriate investigation.

No Retaliation

Retaliation in any form against an employee who has, in good faith, reported a violation of this Code will not be tolerated.

Consequences of a Violation

Employees who violate this Code, or who fail to report violations of which they are aware or should be aware, will subject themselves to disciplinary action up to and including dismissal. Some violations may also result in civil liability and/or lead to criminal prosecution.

Prior Approvals

Whenever the requirement for prior approval appears in this Code, it means that a writing setting forth the pertinent facts of the situation under consideration shall be submitted according the following process.

If a request for prior approval relates to an executive officer or director, the determination with respect to the approval shall be made by the Audit Committee of the Board of Directors, in consultation with such external legal counsel as the Audit Committee deems appropriate.

If a request for prior approval relates to any other employee, the determination shall be made by the Chief Executive Officer, in consultation with such external legal counsel as the Chief Executive Officer deems appropriate, unless the matter is quantitatively or qualitatively material or outside the ordinary course of business, in which case such determination shall be made by the Audit Committee.

All approvals (other than those approved by the Audit Committee) shall be promptly reported to the Audit Committee.

Waivers

You must request a waiver of a provision of this Code if there is a reasonable likelihood that your contemplated action will violate the Code.

If a waiver request relates to an executive officer or director, the determination with respect to the waiver shall be made by the Audit Committee of the Board of Directors, in consultation with such external legal counsel as the Audit Committee deems appropriate. Any waivers granted by such committee shall be submitted to the Board for ratification.

If a waiver request relates to any other employee, the determination shall be made by the Chief Executive Officer, in consultation with such external legal counsel as the Chief Executive Officer deems appropriate, unless the matter is quantitatively or qualitatively material or outside the ordinary course of business, in which case such determination shall be made by the Audit Committee.

All waivers of this Code (other than those approved by the Audit Committee) shall be promptly reported to the Audit Committee.

Waivers will not be granted except under extraordinary or special circumstances.

Updates and Changes

This Code will be reissued from time to time to remind employees, officers and directors of its specifics and to make changes and clarifications based on experience and suggestions.

CONTACTS

To Ask Questions and/or to Report Violations

Mr. Ikeda
Chairman of the Audit Committee
P. O. Box 3318
Honolulu, HI 96801

Senior Vice President – Administration
808-951-1244
Karen.Cox@territorialsavings.net

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Revised and adopted at the 11/4/2010 Board meetings – Bank and Bancorp

**TERRITORIAL BANCORP INC.
SOX WHISTLEBLOWER PROCEDURES FOR EMPLOYEES**

The Sarbanes-Oxley Act of 2002 requires audit committees to establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters (“Accounting Complaints”). Accordingly, Territorial Bancorp Inc. (the “Company”) has established the following procedures:

Accounting Complaints may be made to the Chairman of the Audit Committee of the Board of Directors via regular mail to following address:

Territorial Bancorp Inc.
Attention: Chairman Ikeda, Audit Committee
P. O. Box 3318
Honolulu, Hawaii 96801

Employees of the Company and its direct and indirect subsidiaries, including Territorial Savings Bank, are expressly authorized to make Accounting Complaints using these procedures on a confidential and anonymous basis. All Accounting Complaints received from employees will be treated confidentially and anonymously.

Consistent with our policies, neither the Audit Committee nor management will retaliate or attempt to retaliate, and will not tolerate any retaliation or attempted retaliation by any other person or group, directly or indirectly, against anyone who, in good faith, makes an Accounting Complaint or provides assistance to the Audit Committee, management or any governmental, regulatory or law enforcement body, investigating or otherwise helping to resolve an Accounting Complaint.

Other ethical concerns may be reported under the Corporate Ethics Policy in the Employee Handbook.