



Blue Hill Advisors

A BETTER DEAL FOR TERRITORIAL

Presentation to Territorial Bancorp Shareholders

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A Better Deal



A Better Deal for Territorial Bancorp

Situation Overview

- We are urging shareholders of Territorial Bancorp Inc. (“Territorial” or “TBNK”) to **support our increased \$12.50 per share cash offer** and reject the takeover by Hope Bancorp, Inc. (“Hope”) which values Territorial at \$9.87 per share⁽¹⁾
- In addition to significantly more value (~\$23M higher in total), our proposal provides numerous other advantages:
 - Option for up to 30% of existing shareholders to continue to invest in the recovery of Territorial
 - Commitment to preserving Territorial as a local Hawaii bank under local control
 - Focus on retaining employees and minimizing customer disruption
 - New and energized local leadership
 - Less onerous regulatory review process than the Hope deal - not a merger
- Our offer is backed by seasoned bank investors with:
 - More than \$3 billion in combined assets under management⁽²⁾
 - Capital support exceeding the more than \$100 million required investment
 - Substantial bank ownership experience and track record of securing Federal Reserve non-objection
- **We encourage Territorial shareholders to support our proposal and terminate the Hope takeover by voting AGAINST it at the October 10 special meeting - the takeover can only be approved by the affirmative support of a majority of Territorial shares outstanding**

(1) Based on Hope’s closing price on the Nasdaq of \$12.27 on 9/25/24.

(2) From latest Form ADVs.

More Value Today and in the Future



	Hope Bancorp	Our Proposal	
Cash-Out Value Today	\$9.87⁽¹⁾	\$12.50	✓ 27% cash premium
Total Value Today	\$87 million⁽¹⁾	\$110 million	✓ \$23 million more
TBNK Ownership	5.6%	100%	✓ Retain control
Est. TBNK Year 5 Value	~\$20.00⁽²⁾	\$40.00-\$65.00⁽³⁾	✓ More upside
Form of Consideration	100% stock	100% cash	✓ No market risk
Leadership	Mainland	Local	✓ Local leadership
Expense Cuts	27.5% of expenses	De Minimis	✓ Preserves local jobs
Preserves Capital	No	Yes	✓ No fair value marks
CRE Concentration	278%⁽⁴⁾	5%	✓ No risky CRE loans

Source: S&P Capital IQ Pro, <https://www.sec.gov/Archives/edgar/data/1128361/000112836124000013/hopemergerdeck-finalx202.htm>, HOPE Q1 2024 earnings call transcript.

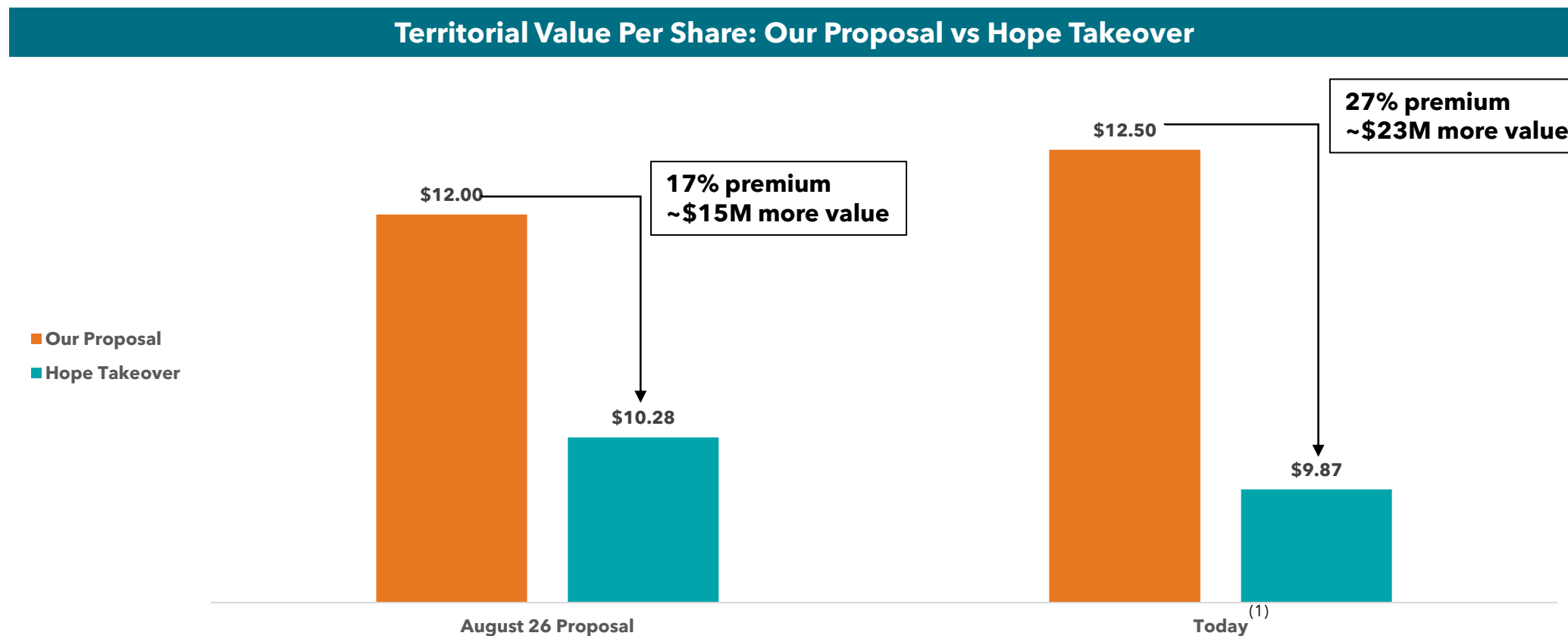
(1) Based on Hope's closing price on the Nasdaq of \$12.27 on 9/25/24.

(2) Assumes 5% annual asset growth, a return on assets of 1% and a 12x terminal P/E multiple.

(3) Based on internal forecast for Territorial that results in terminal year ROAA of 1-1.2%.

(4) Represents Bank of Hope's standalone commercial real estate / total risk-based capital ratio at 6/30/24.

Our Offer Has Improved While Hope's Has Worsened



Source: S&P Capital IQ Pro.

(1) As of 9/25/24.

Backed by Investors With >\$3 Billion in AUM

>\$100 Million

Capital Support Backing Proposals

>\$3 Billion

Combined Assets Under Management

100+

Bank and Thrift Investments

Dozens

Successful Regulatory Approvals

Source: From latest form ADVs.
Note: All investors have provided non-binding indications of interest.

Manageable Path to Closing by Year End

Outstanding Items	Description
Due diligence	Expect to complete on an accelerated timeline.
Investment agreements	Plan to use one form for all participating investors.
Recap accounting treatment	Reasonable determination by Territorial that the transaction will qualify for recapitalization (and not purchase) accounting treatment.
Investor regulatory approvals	No merger approvals required. Require only Federal Reserve non-objection under Change in Bank Control Act.
Closing of investment and tender offer	Requires that at least 70% of Territorial shares are tendered - we are open to discussing the appropriate tender threshold.

Note: See full proposal for more details.

Who We Are

Decades of Combined Experience Operating and Investing in Regional and Community Banks



Al Landon
Former Bank of Hawaii
Chairman and CEO

Served as Chairman and CEO of Bank of Hawaii from 2004-2010

BOH shares outperformed banking sector by 78% over tenure

LendingClub (Director)
State Farm (Director)
MidFirst Bank (Director)
First American (CFO)
Ernst & Young (Partner)



Jason Blumberg
Managing Member of
Blue Hill Advisors

Advisor to and investor in regional and community banks

Track record of hands-on engagement to maximize value

HoldCo Asset Management
Driver Management
Hovde Group
Jefferies
Lazard

Planned addition of Hawaii-based directors and management

Proposal Timeline

Timeline

- **August 26:** Allan Landon hand delivers proposal to Territorial's headquarters in Honolulu
- **August 31:** Mr. Landon follows up with Allan Kitagawa and requests response to proposal by September 3
- **September 6:** Board sends letter to Mr. Landon rejecting proposal
- **September 10:** Mr. Landon sends letter addressing critiques and suggests that Territorial disclose proposal
- **September 12:** Board sends letter to Mr. Landon rejecting proposal again and publicly discloses proposal
- **September 17:** Investors issue press release reiterating commitment to proposal
- **September 19:** Territorial issues press release reaffirming commitment to Hope merger

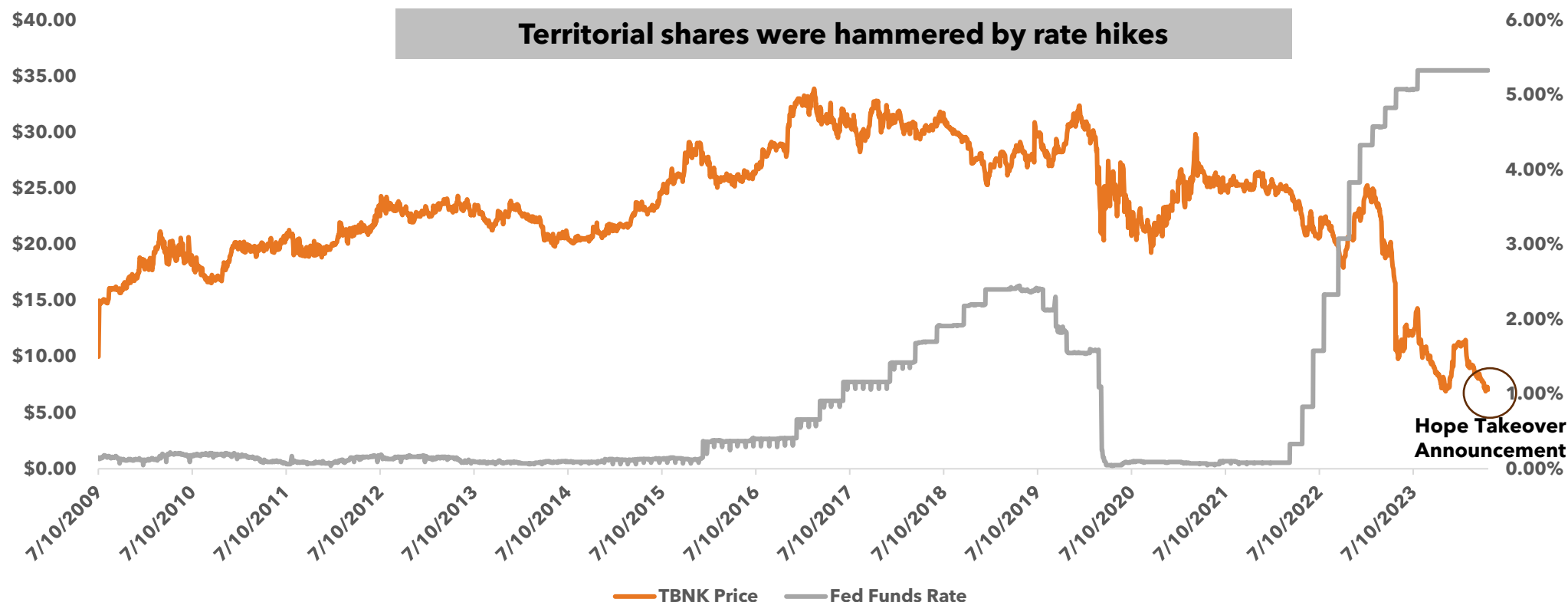
*****October 10: Special meeting to approve Hope takeover*****

Issues with the Hope Merger



Hope Takeover Struck at Territorial's Rock Bottom...

Territorial Share Price vs Fed Funds Rate: IPO to Hope Takeover Announcement⁽¹⁾



Source: S&P Capital IQ Pro.

(1) Reflects period from 7/10/09 IPO to 4/26/24, one day prior to the Hope takeover announcement.

...At a Shockingly Low Valuation

Hope Takeover Metrics		
	Announced	Current⁽¹⁾
Value Per Share	\$8.82	\$9.87
TBNK All-Time High Price	\$33.90	\$33.90
% of All-Time High	26%	29%
TBNK Tangible Book Value	\$28.45	\$28.31
% of Tangible Book Value	31%	35%

Source: S&P Capital IQ Pro.

(1) As of 9/25/24.

Second Lowest Sale Multiple in the Last 25 Years

Sale Price / Tangible Book Value: Bottom 10 Multiples Since 2000

Buyer/Seller	Price / Tangible Book Value
Toronto-Dominion Bank/South Financial Group, Inc.	17%
Hope Bancorp, Inc./Territorial Bancorp Inc.	31%
Bank of America Corporation/Countrywide Financial Corporation	32%
PNC Financial Services Group, Inc./National City Corporation	37%
First Citizens BancShares, Inc./CIT Group Inc.	44%
FirstSun Capital Bancorp/HomeStreet, Inc.	49%
People's United Financial, Inc./Smithtown Bancorp, Inc.	51%
Atlantic Capital Bancshares, Inc./First Security Group, Inc.	52%
Wells Fargo & Company/Wachovia Corporation	57%
Hanmi Financial Corporation/Central Bancorp, Inc.	62%

Source: S&P Capital IQ Pro.

Note: Includes all deals since 1/1/00 over \$50M in value for which a P/TBV multiple was disclosed.

Takeover Gives Away Territorial Recovery Opportunity



Territorial Ownership

5.6%

100%

Price / Tangible Book Value

94%

35%

Cost of Interest-Bearing Liabilities

4.55%

2.15%

Commercial Real Estate / Risk Based Capital

278%

5%

Rates Down Impact on EVE⁽¹⁾ (100 bps down)

+3%

+31%

Source: S&P Capital IQ Pro; Company filings.

Note: Market data as of 9/25/24.

(1) Economic Value of Equity (EVE) represents the market value of portfolio equity and is equal to the present value of assets minus the present value of liabilities, with adjustments made for off-balance sheet items.

The Hope Takeover Raises Important Questions

Does Territorial regret striking a deal in April now that rate relief is on the horizon?

Would Territorial's stakeholders prefer a locally run bank over mainland leadership?

Did Territorial consider other strategic alternatives before selling to Hope?

Does a merger agreement that restricts competing offers benefit shareholders?

Would investing in Territorial and adding services be preferable to a sale?

Was Territorial forced to sell and, if not, why not hold out for a better offer?

A Merger Agreement That Thwarts Better Offers

Can't solicit other offers

×

Can't discuss other offers unless they meet strict criteria

×

Can't entertain deal for less than 100% of Territorial stock

×

Must bring Hope deal to Territorial shareholders for a vote

×

Will pay \$3 million termination fee if Hope deal terminates

×

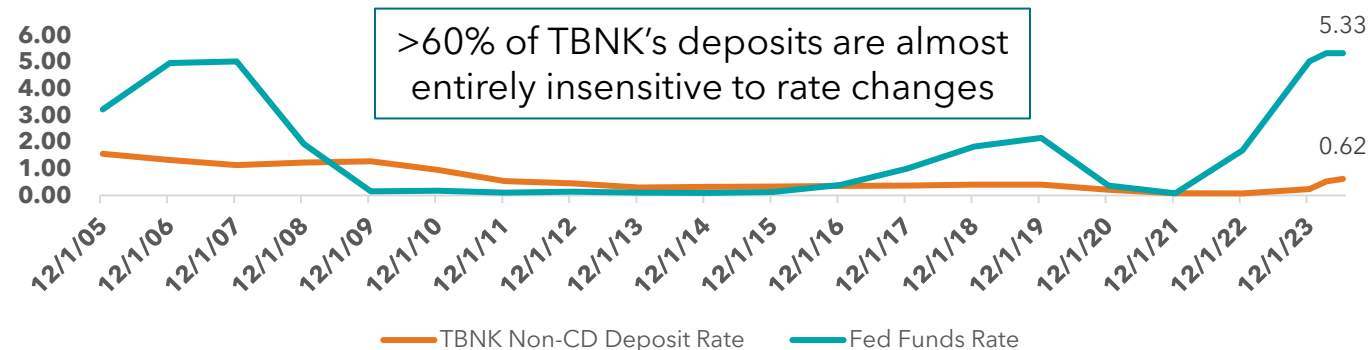
Source: https://www.sec.gov/Archives/edgar/data/1447051/000110465924055737/tm2412965d1_ex2-1.htm.

Why We Like Territorial

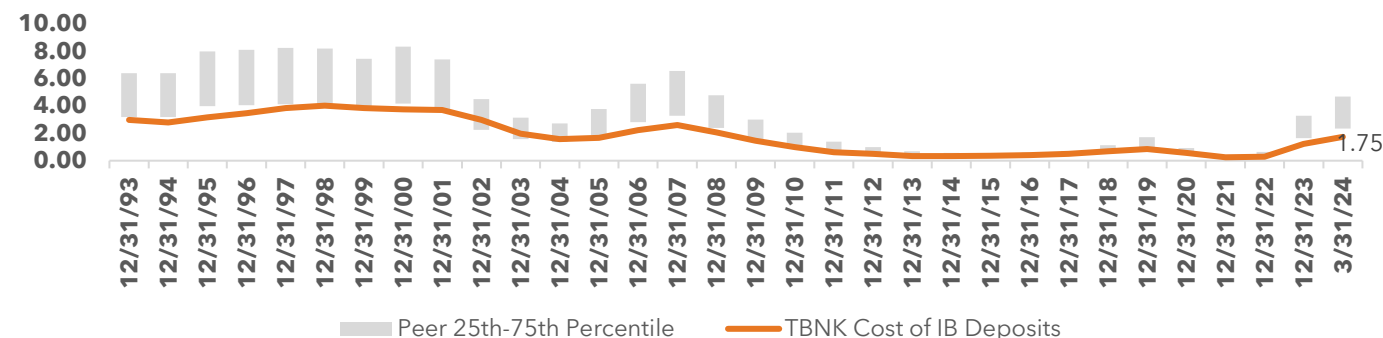


Stable, Low-Cost and Granular Deposit Base

TBNK Non-CD, Interest-Bearing Deposit Rate vs Average Fed Funds Rate



Total Cost of Interest-Bearing Deposits: TBNK vs Peer 25th-75th Percentile



- ✓ FY 2023 avg. cost of total deposits: 1.23%, or 0.79% excluding public deposits
- ✓ Year-end total cost of deposits at 12/31/23: 1.61%, or 1.20% excluding public deposits
- ✓ Granular deposit base: ~55,000 accounts, with avg. account size of ~\$30,000 and median account size of ~\$4,100
- ✓ 73% of Territorial's deposit balances (excluding public deposits) are from accounts equal to or less than \$250,000 in size
- ✓ 93% of non-CD deposit balances are consumer deposits

Source: S&P Capital IQ Pro, <https://fred.stlouisfed.org/series/EFFR>, <https://www.sec.gov/Archives/edgar/data/1128361/000112836124000013/hopemergerdeck-finalx202.htm>.

Note: Peers include banks with >\$1B in assets listed on a major exchange; Territorial non-CD deposit rate vs fed funds rate chart is through 6/30/24; Territorial total cost of interest-bearing deposits vs peers chart is through 3/31/24 due to incomplete peer data for the quarter ended 6/30/24.

Pristine Loan Portfolio with Virtually No Losses

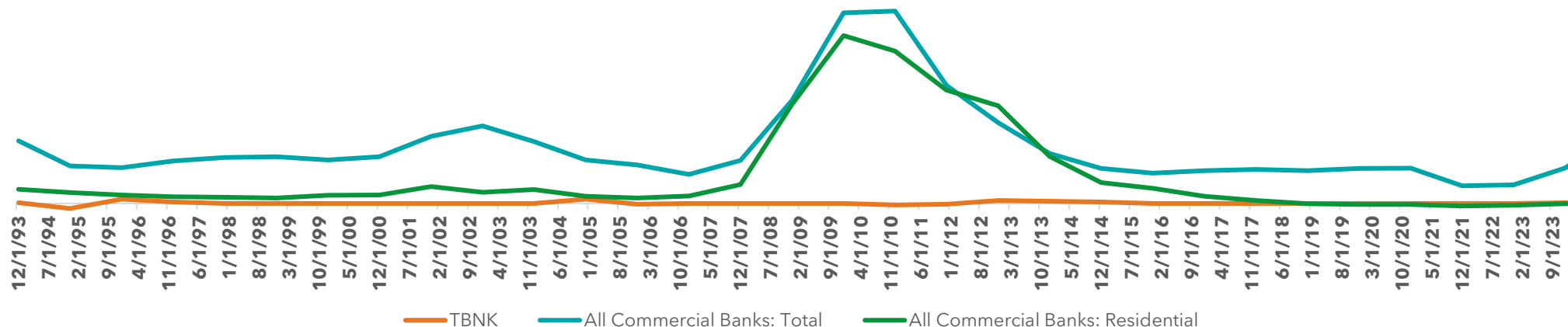
97% Single Family Residential

63% Average LTV at 12/31/23

<1% of Portfolio with LTV >80%

CRE/Total Capital of ~5%

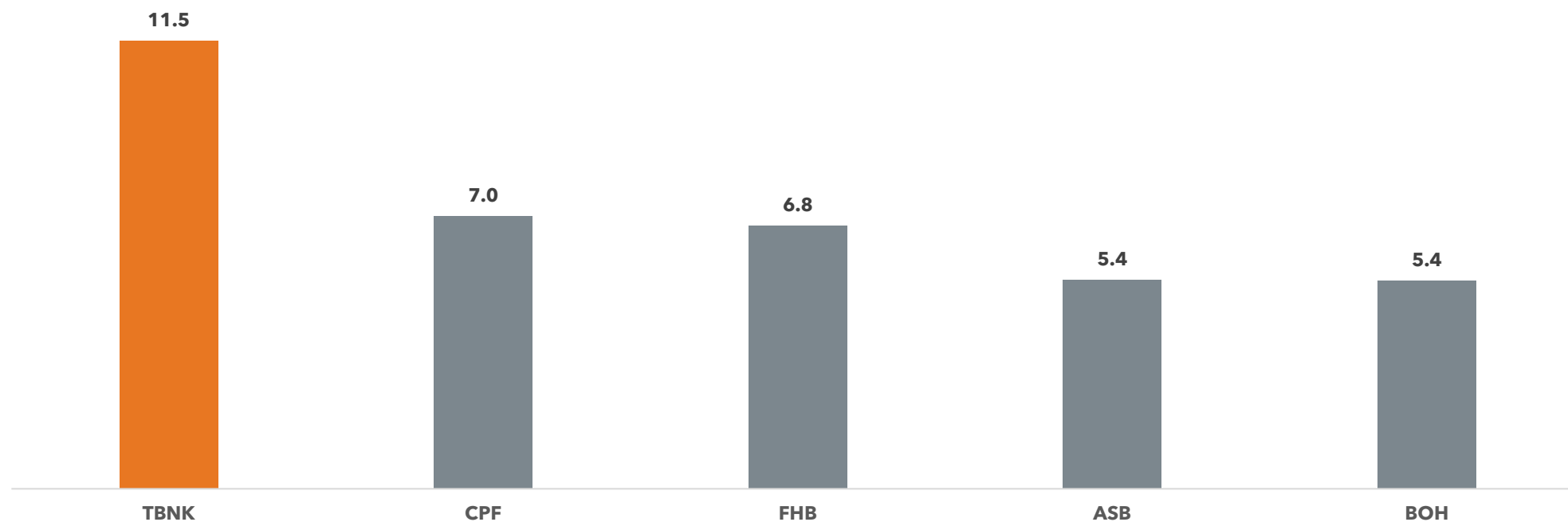
Net Charge-offs / Average Loans: Territorial vs All Commercial Banks Since 1993



Source: S&P Capital IQ Pro, <https://www.federalreserve.gov/releases/chargeoff/chgallsa.htm>, <https://www.sec.gov/Archives/edgar/data/1128361/000112836124000013/hopemergeck-finalx202.htm>.
 Note: Data through 3/31/24 due to incomplete peer data for the quarter ended 6/30/24.

Leverageable Capital

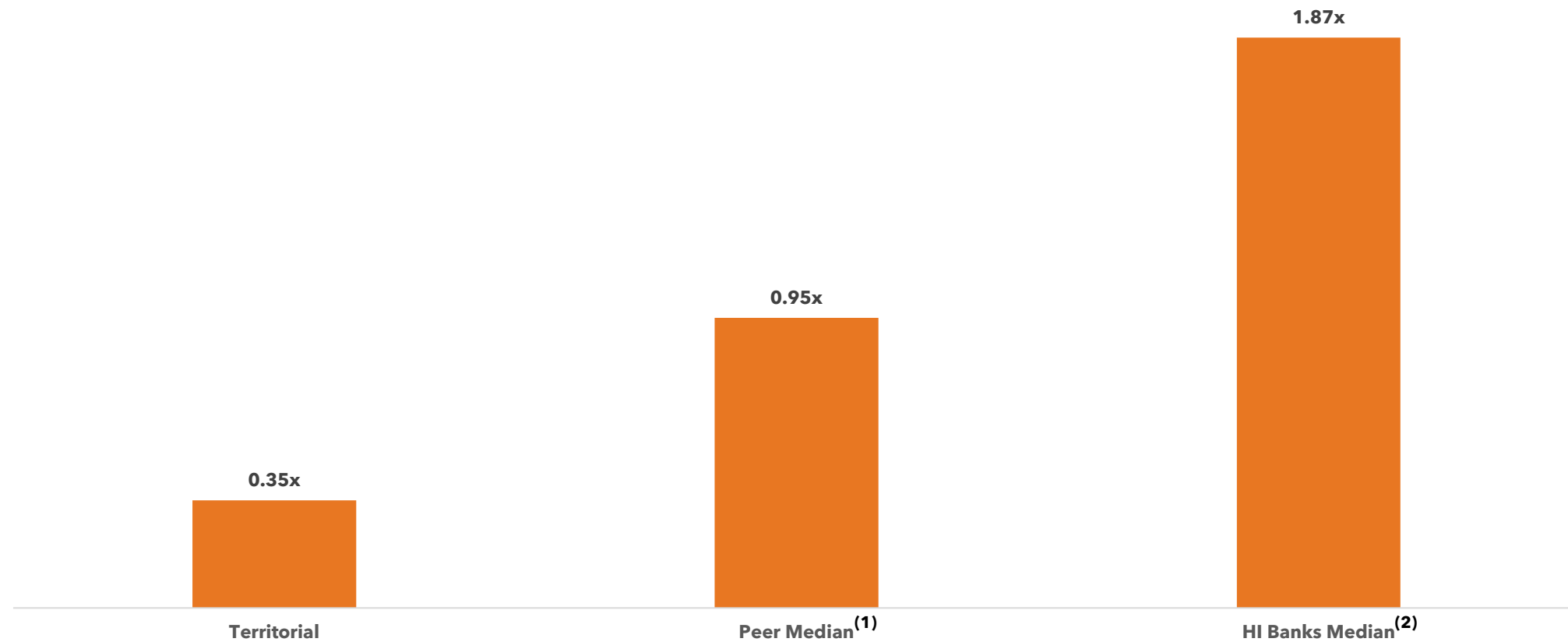
Tangible Common Equity / Tangible Assets (%)



Source: S&P Capital IQ Pro.
Note: Financial data as of the quarter ended 6/30/24.

Attractive Long-Term Entry Point

Price / Tangible Book Value Multiple vs Peers



Source: S&P Capital IQ Pro.

Note: Market data as of 9/25/24.

(1) Includes major exchange listed banks with >\$1B assets, >70% 1-4 family loans and <3% cost of funds

(2) Includes Bank of Hawaii, First Hawaiian and Central Pacific.

Territorial Should Benefit Immensely from Rate Cuts

Economic Value of Equity. We use an interest rate sensitivity analysis that computes changes in the economic value of equity (EVE) of our cash flows from assets, liabilities, and off-balance sheet items in the event of a range of assumed changes in market interest rates. EVE represents the market value of portfolio equity and is equal to the present value of assets minus the present value of liabilities, with adjustments made for off-balance sheet items. This analysis assesses the risk of loss in market-risk-sensitive instruments in the event of an instantaneous and sustained 100 to 400 basis point increase or decrease in market interest rates with no effect given to any steps that we might take to counter the effect of that interest rate movement. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 3% to 4% would mean, for example, a 100 basis point increase in the “Change in Interest Rates” column below.

Change in Interest Rates (bp) (1)	Estimated EVE (2)	Estimated Increase (Decrease) in EVE	Percentage Change in EVE	EVE Ratio as a Percent of Present Value of Assets (3)(4)	Increase (Decrease) in EVE Ratio as a Percent of Present Value of Assets (3)(4)
(Dollars in thousands)					
+400	\$ (31,821)	\$ (204,616)	(118.42)%	(2.15)%	(11.47)%
+300	\$ 13,197	\$ (159,598)	(92.36)%	0.85 %	(8.47)%
+200	\$ 62,787	\$ (110,008)	(63.66)%	3.80 %	(5.52)%
+100	\$ 116,510	\$ (56,285)	(32.57)%	6.66 %	(2.66)%
0	\$ 172,795	\$ —	— %	9.32 %	— %
-100	\$ 226,616	\$ 53,821	31.15 %	11.54 %	2.22 %
-200	\$ 276,798	\$ 104,003	60.19 %	13.34 %	4.02 %
-300	\$ 317,456	\$ 144,661	83.72 %	14.54 %	5.22 %
-400	\$ 314,354	\$ 141,559	81.92 %	13.95 %	4.63 %

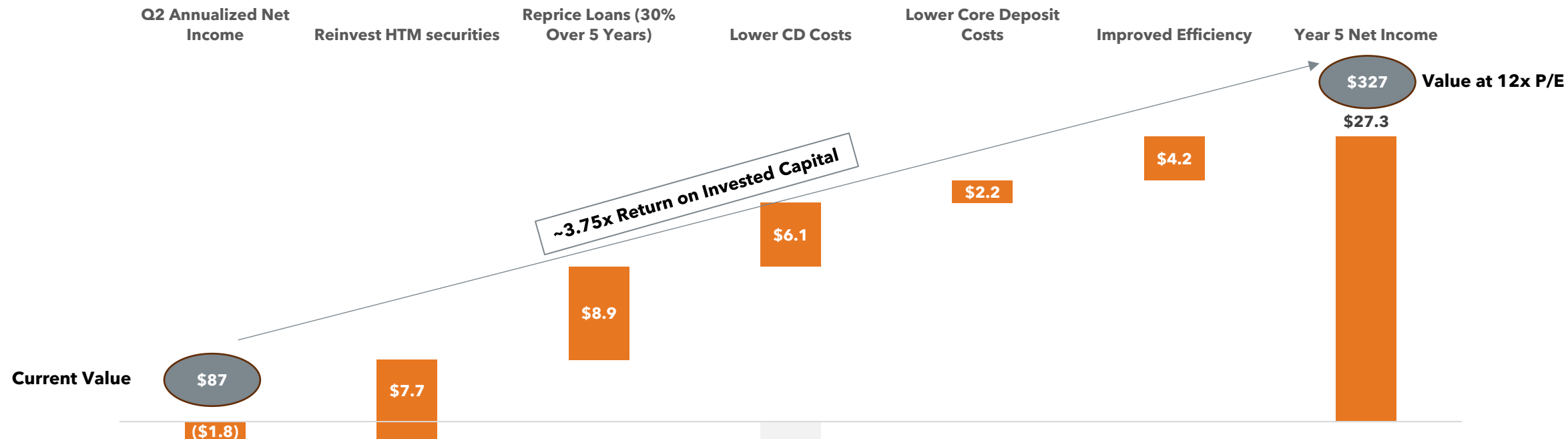
Source: Company filings.

Territorial: Now vs Future



Simplified Path to Value Creation

Simplified Bridge from Q2 2024 Annualized Net Income to Year 5 Projected Income Assuming No Growth (\$M)



Up to 30% of Existing Holders Can Choose to Continue and Participate in Territorial's Recovery

Note: Hypothetical analysis for illustrative purposes.

Improved Scale and Returns

Returns do not assume any dividends

**TBNK
Now**

TBNK Future (Base)

No Day 1
Delever

Day 1
Delever⁽¹⁾

**Hawaii
Banks⁽²⁾**

**Balance
Sheet**

Assets (\$B)	\$2.2
1-4 Family Loans / Loans	97%
Cash+Securities / Assets	37%
Non-IB Deposits %	5.2%
Tangible Equity / Assets	11.5%

>\$2.5	-	\$16.4
<80%	-	37%
>25%	>20%	25%
~10%	-	30%
~12%	~8.5%	5.9%

**Income
Statement**

NIM	1.56%
Efficiency Ratio	106%
ROAA	(0.07%)
ROATCE	(1.2%)

~3.2%	~3.5%	2.92%
~55%	-	63%
~1%	~1.2%	0.85%
~8.5%	~13%	11.1%

Valuation

Share Price	\$9.94
TBV	\$28.21
Annualized EPS	(\$0.36)
Price/TBV	0.35x
Price/earnings ⁽³⁾	NM

>\$40	-	-
>\$30	>\$20	-
~\$2.70	~\$3.00	-
~1.4x	~1.7x	1.87x
~17x	~13x	13.3x

Source: S&P Capital IQ Pro.

Note: Market data as of 9/25/24.

(1) Assumes ~\$300M day 1 reduction in wholesale borrowings funded by securities sale.

(2) Hawaii Banks represents median of BOH, FHB, CPF and ASB.

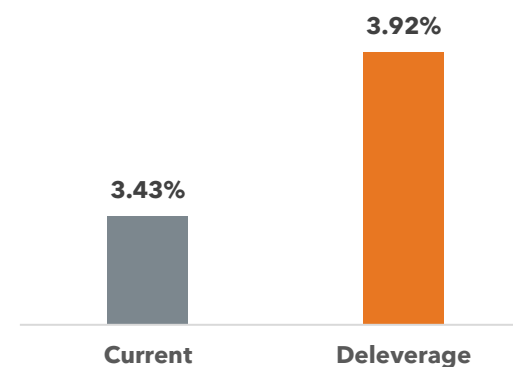
(3) Assumes 12x P/E multiple plus dollar-for-dollar value on excess capital above 8% TCE/TA.

Substantial Balance Sheet Flexibility

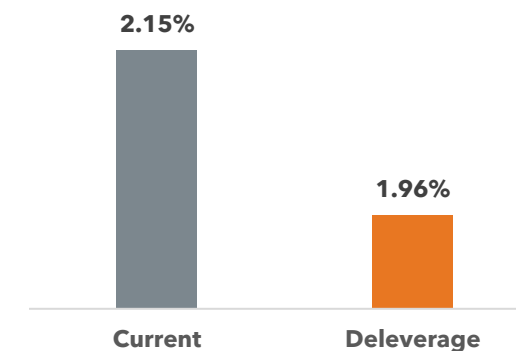
Illustrative ~\$300M Deleverage:

- ✓ Territorial has ~\$300M in wholesale borrowings with a current cost of 3.07%
- ✓ With securities yields of only 2.46%, Territorial is currently earning a negative spread on these borrowings
- ✓ Selling a portion of Territorial's securities to repay borrowings would yield an immediate margin and earnings benefit
- ✓ While Territorial would recognize a loss on the securities sale, the improved earnings would help rebuild capital over time
- ✓ Importantly, Territorial's capital ratios would remain far above "well-capitalized" levels after the securities sale and deleverage

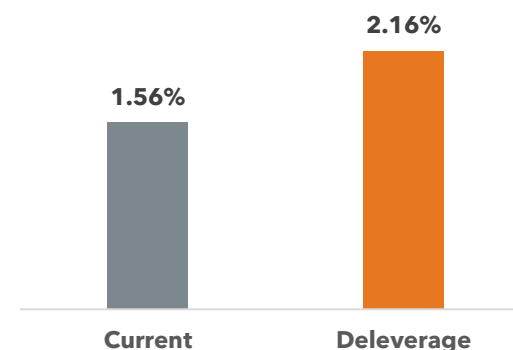
Yield on Earning Assets



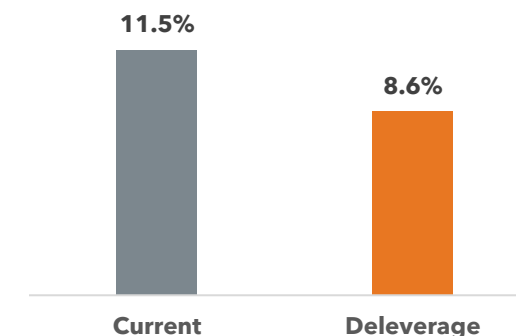
Interest-Bearing Liability Cost



Net Interest Margin



TCE / TA

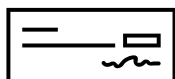


Source: Company filings.

Note: Analysis assumes all Territorial's \$666M held-to-maturity securities are marked-to-market. Accounting treatment still under review.

Expanded Product Offerings

Territorial Now



Checking accounts



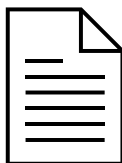
Mortgage loans



VISA check card



Savings accounts



Physical documents

Territorial Future Additions



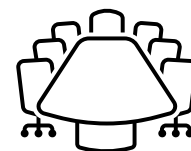
Personal loans



Home equity loans



Credit cards



Business loans



Digital

Important Disclaimers

Cautionary Note Regarding Forward-Looking Statements

This presentation contains certain forward-looking statements within the meaning of the federal securities laws with respect to the proposed transaction between Territorial Bancorp Inc. (“Territorial”) and a potential investment in Territorial. Forward-looking statements may be identified by the use of the words such as “estimate,” “plan,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “seek,” “strategy,” “future,” “opportunity,” “may,” “could,” “target,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” or similar expressions that predict or indicate future events or trends or that are not statements of historical matters, although not all forward-looking statements contain such identifying words. These forward-looking statements include, but are not limited to, statements regarding the potential investment in Territorial. These statements are based on various assumptions, whether or not identified in this document, and on the statements made in this presentation are not predictions of actual performance, and, as a result, are subject to risks and uncertainties. These forward-looking statements are provided for illustrative purposes only and are not intended to serve as, and must not be relied on by any investor as, a guarantee, an assurance, a prediction or a definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict, may differ from assumptions and many are beyond the control of Territorial, Blue Hill Advisors or any other party. These forward-looking statements are subject to a number of risks and uncertainties, including, but not limited to: (i) the risk that the proposed transaction between Territorial and Hope Bancorp cannot be terminated and therefore the investment transaction cannot be completed; (ii) the effect of the announcement of the potential investment in Territorial; (iii) risks that the proposed transaction disrupts current plans and operations of Territorial; (iv) potential difficulties in retaining Territorial customers and employees; (v) any estimates or projections of future financial performance; (vi) changes in general economic, political or social conditions, including changes in the interest rate environment, the impacts of continuing inflation, the credit risks of lending activities and the operational risk of lending activities; (vii) the effectiveness of Territorial’s underwriting practices and the risk of borrower fraud; (viii) fluctuations in the demand for loans; (ix) the ability to develop and maintain a strong core deposit base or other low cost funding sources; (x) the rapid withdrawal of a significant amount of deposits over a short period of time; (xi) results of examinations by regulatory authorities of Territorial and the possibility that any such regulatory authority may, among other things, limit Territorial’s business activities; (xii) the impact of bank failures or other adverse developments at other banks on general investor sentiment regarding the stability and liquidity of banks; (xiii) slowdowns in securities trading or shifting demand for security trading products; (xiv) the impact of natural disasters or health epidemics; (xv) legislative or regulatory changes; (xvi) competition in retaining key employees; (xvii) changes to accounting principles and guidelines; (xviii) potential litigation relating to the proposed transaction; (xix) the potential that Territorial may be unwilling to engage with the investors regarding a potential transaction; and (xx) unexpected costs, charges or expenses resulting from the proposed transaction. The foregoing list is non-exhaustive and forward looking statements may be subject to other factors that are beyond our control. You should carefully consider the foregoing factors and the other risks and uncertainties described in the “Risk Factors” section of Territorial’s registration statement on Form S-4, and other documents filed by Territorial with the U.S. Securities and Exchange Commission (the “SEC”), including its Annual Report on Form 10-K for the fiscal year ended December 31, 2023. These filings do and will identify and address other important risks and uncertainties that could cause actual events and results to differ materially from those contained in the forward-looking statements. If any of these risks materialize or our assumptions prove incorrect, actual events and results could differ materially from those contained in the forward-looking statements. We undertake no duty to update any forward-looking statements and specifically disclaim any obligation to do so, unless required by applicable law. These forward-looking statements should not be relied upon as representing our assessments as of any date subsequent to the date of this document. Accordingly, undue reliance should not be placed upon the forward-looking statements. Forward-looking statements speak only as of the date they are made. We cannot give any assurance that Territorial will achieve the results or other matters set forth in the forward-looking statements.

Use of Projections

This presentation includes projections of Territorial’s future performance. Projections are inherently unpredictable and reliant on the underlying assumptions. If one or more of the assumptions turns out to be incorrect, actual results may differ, potentially materially, from the projections set forth herein.

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This presentation will not create any legal obligations on the party delivering or receiving this document, including any duty to negotiate. No such legal obligations will exist until definitive documents are executed by all requisite parties and with the requisite approvals. In addition, we are not making any representations or warranties regarding the content of this presentation and the delivery of this document will not create or result in any liability.

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