

HAWAIIAN ELECTRIC INDUSTRIES INC
Form 10-Q
August 03, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

✓ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Exact Name of Registrant as Specified in Its Charter	Commission File Number	I.R.S. Employer Identification No.
HAWAIIAN ELECTRIC INDUSTRIES, INC. and Principal Subsidiary	1-8503	99-0208097
HAWAIIAN ELECTRIC COMPANY, INC.	1-4955	99-0040500
State of Hawaii (State or other jurisdiction of incorporation or organization)		

Hawaiian Electric Industries, Inc. – 1001 Bishop Street, Suite 2900, Honolulu, Hawaii 96813
Hawaiian Electric Company, Inc. – 900 Richards Street, Honolulu, Hawaii 96813
(Address of principal executive offices and zip code)

Hawaiian Electric Industries, Inc. – (808) 543-5662
Hawaiian Electric Company, Inc. – (808) 543-7771
(Registrant’s telephone number, including area code)
Not applicable
(Former name, former address and former fiscal year, 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.

Hawaiian Electric Industries, Inc. Yes x No o Hawaiian Electric Company, Inc. Yes x No o

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Hawaiian Electric Industries, Inc. Yes x No o Hawaiian Electric Company, Inc. Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Securities Exchange Act of 1934.

Hawaiian Electric Industries, Inc.	Large accelerated filer x	Hawaiian Electric Company, Inc.	Large accelerated filer o
	Accelerated filer o		Accelerated filer o
	Non-accelerated filer o		Non-accelerated filer x

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(Do not check if a smaller
reporting company)
Smaller reporting company
Emerging growth company

(Do not check if a smaller
reporting company)
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Hawaiian Electric Industries, Inc. Hawaiian Electric Company, Inc.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Hawaiian Electric Industries, Inc. Yes No Hawaiian Electric Company, Inc. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding July 27, 2017
Hawaiian Electric Industries, Inc. (Without Par Value)	108,785,486 Shares
Hawaiian Electric Company, Inc. (\$6-2/3 Par Value)	16,019,785 Shares (not publicly traded)

Hawaiian Electric Industries, Inc. (HEI) is the sole holder of Hawaiian Electric Company, Inc. (Hawaiian Electric) common stock.

This combined Form 10-Q is separately filed by HEI and Hawaiian Electric. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to the other registrant, except that information relating to Hawaiian Electric is also attributed to HEI.

Hawaiian Electric Industries, Inc. and Subsidiaries
Hawaiian Electric Company, Inc. and Subsidiaries
Form 10-Q—Quarter ended June 30, 2017

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Hawaiian Electric Industries, Inc. and Subsidiaries
 Hawaiian Electric Company, Inc. and Subsidiaries
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GLOSSARY OF TERMS

Terms	Definitions
AES Hawaii	AES Hawaii, Inc.
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income/(loss)
ASB	American Savings Bank, F.S.B., a wholly-owned subsidiary of ASB Hawaii, Inc.
ASB Hawaii	ASB Hawaii, Inc. (formerly American Savings Holdings, Inc.), a wholly owned subsidiary of Hawaiian Electric Industries, Inc. and the parent company of American Savings Bank, F.S.B.
ASU	Accounting Standards Update
CIP CT-1	Campbell Industrial Park 110 MW combustion turbine No. 1
Company	Hawaiian Electric Industries, Inc. and its direct and indirect subsidiaries, including, without limitation, Hawaiian Electric Company, Inc. and its subsidiaries (listed under Hawaiian Electric); ASB Hawaii, Inc. and its subsidiary, American Savings Bank, F.S.B.; HEI Properties, Inc. (dissolved in 2015 and wound up in 2017); and The Old Oahu Tug Service, Inc. (formerly Hawaiian Tug & Barge Corp.).
Consumer Advocate	Division of Consumer Advocacy, Department of Commerce and Consumer Affairs of the State of Hawaii
CBRE	Community-based renewable energy
DER	Distributed energy resources
D&O	Decision and order from the PUC
DG	Distributed generation
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DOH	Department of Health of the State of Hawaii
DRIP	HEI Dividend Reinvestment and Stock Purchase Plan
DSM	Demand-side management
ECAC	Energy cost adjustment clause
EIP	2010 Equity and Incentive Plan, as amended and restated
EPA	Environmental Protection Agency — federal
EPS	Earnings per share
ERP/EAM	Enterprise Resource Planning/Enterprise Asset Management
EVE	Economic value of equity
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
federal	U.S. Government
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
FRB	Federal Reserve Board
GAAP	Accounting principles generally accepted in the United States of America

GLOSSARY OF TERMS, continued

Terms	Definitions
GNMA	Government National Mortgage Association
Hawaii Electric Light	Hawaii Electric Light Company, Inc., an electric utility subsidiary of Hawaiian Electric Company, Inc.
Hawaiian Electric	Hawaiian Electric Company, Inc., an electric utility subsidiary of Hawaiian Electric Industries, Inc. and parent company of Hawaii Electric Light Company, Inc., Maui Electric Company, Limited, HECO Capital Trust III (unconsolidated financing subsidiary), Renewable Hawaii, Inc. and Uluwehiokama Biofuels Corp.
HEP	Hamakua Energy Partners, L.P., successor in interest to Encogen Hawaii, L.P.
HEI	Hawaiian Electric Industries, Inc., direct parent company of Hawaiian Electric Company, Inc., ASB Hawaii, Inc., HEI Properties, Inc. (dissolved in 2015 and wound up in 2017) and The Old Oahu Tug Service, Inc. (formerly Hawaiian Tug & Barge Corp.)
HEIRSP	Hawaiian Electric Industries Retirement Savings Plan
HELOC	Home equity line of credit
HPOWER	City and County of Honolulu with respect to a power purchase agreement for a refuse-fired plant
IPP	Independent power producer
Kalaeloa	Kalaeloa Partners, L.P.
KWH	Kilowatt-hour/s (as applicable)
LNG	Liquefied natural gas
LTIP	Long-term incentive plan
Maui Electric	Maui Electric Company, Limited, an electric utility subsidiary of Hawaiian Electric Company, Inc.
Merger	As provided in the Merger Agreement (see below), merger of NEE Acquisition Sub II, Inc. with and into HEI, with HEI surviving, and then merger of HEI with and into NEE Acquisition Sub I, LLC, with NEE Acquisition Sub I, LLC surviving as a wholly owned subsidiary of NextEra Energy, Inc.
Merger Agreement	Agreement and Plan of Merger by and among HEI, NextEra Energy, Inc., NEE Acquisition Sub II, Inc. and NEE Acquisition Sub I, LLC, dated December 3, 2014 and terminated July 16, 2016
MPIR	Major Project Interim Recovery
MW	Megawatt/s (as applicable)
NEE	NextEra Energy, Inc.
NEM	Net energy metering
NII	Net interest income
NPBC	Net periodic benefit costs
NPPC	Net periodic pension costs
O&M	Other operation and maintenance
OCC	Office of the Comptroller of the Currency
OPEB	Postretirement benefits other than pensions
PPA	Power purchase agreement
PPAC	Purchased power adjustment clause
PSIPs	Power Supply Improvement Plans
PUC	Public Utilities Commission of the State of Hawaii
PV	Photovoltaic
RAM	Rate adjustment mechanism
RBA	Revenue balancing account
RFP	Request for proposals
ROACE	Return on average common equity
RORB	Return on rate base
RPS	Renewable portfolio standards
SEC	Securities and Exchange Commission
See	Means the referenced material is incorporated by reference

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Spin-Off	The previously planned distribution to HEI shareholders of all of the common stock of ASB Hawaii immediately prior to the Merger, which was terminated
TDR	Troubled debt restructuring
Trust III	HECO Capital Trust III
Utilities	Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc. and Maui Electric Company, Limited
VIE	Variable interest entity

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and other presentations made by Hawaiian Electric Industries, Inc. (HEI) and Hawaiian Electric Company, Inc. (Hawaiian Electric) and their subsidiaries contain “forward-looking statements,” which include statements that are predictive in nature, depend upon or refer to future events or conditions and usually include words such as “will,” “expects,” “anticipates,” “intends,” “plans,” “believes,” “predicts,” “estimates” or similar expressions. In addition, statements concerning future financial performance, ongoing business strategies or prospects or possible future actions are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties and the accuracy of assumptions concerning HEI and its subsidiaries (collectively, the Company), the performance of the industries in which they do business and economic, political and market factors, among other things. These forward-looking statements are not guarantees of future performance.

Risks, uncertainties and other important factors that could cause actual results to differ materially from those described in forward-looking statements and from historical results include, but are not limited to, the following:

- international, national and local economic and political conditions—including the state of the Hawaii tourism, defense and construction industries; the strength or weakness of the Hawaii and continental U.S. real estate markets (including the fair value and/or the actual performance of collateral underlying loans held by ASB, which could result in higher loan loss provisions and write-offs); decisions concerning the extent of the presence of the federal government and military in Hawaii; the implications and potential impacts of U.S. and foreign capital and credit market conditions and federal, state and international responses to those conditions; and the potential impacts of global developments (including global economic conditions and uncertainties; the effects of the United Kingdom’s referendum to withdraw from the European Union; unrest; the conflict in Syria; the effects of changes that have or may occur in U.S. policy, such as with respect to immigration and trade; terrorist acts by ISIS or others; potential conflict or crisis with North Korea; and potential pandemics);
- the effects of future actions or inaction of the U.S. government or related agencies, including those related to the U.S. debt ceiling, monetary policy and policy and regulation changes advanced or proposed by President Trump and his administration;
- weather and natural disasters (e.g., hurricanes, earthquakes, tsunamis, lightning strikes, lava flows and the potential effects of climate change, such as more severe storms and rising sea levels), including their impact on the Company's and Utilities' operations and the economy;
- the timing and extent of changes in interest rates and the shape of the yield curve;
- the ability of the Company and the Utilities to access the credit and capital markets (e.g., to obtain commercial paper and other short-term and long-term debt financing, including lines of credit, and, in the case of HEI, to issue common stock) under volatile and challenging market conditions, and the cost of such financings, if available;
- the risks inherent in changes in the value of the Company’s pension and other retirement plan assets and ASB’s securities available for sale;
- changes in laws, regulations, market conditions and other factors that result in changes in assumptions used to calculate retirement benefits costs and funding requirements;
 - the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) and of the rules and regulations that the Dodd-Frank Act requires to be promulgated;
- increasing competition in the banking industry (e.g., increased price competition for deposits, or an outflow of deposits to alternative investments, which may have an adverse impact on ASB’s cost of funds);
- the impacts of the termination of the Merger with NextEra Energy, Inc. (NEE) and the resulting loss of NEE’s resources, expertise and support (e.g., financial and technological), including potentially higher costs and longer lead times to increase levels of renewable energy and to complete projects like Enterprise Resource Planning/Enterprise Asset Management (ERP/EAM) and smart grids, and a higher cost of capital;
- the potential delay by the Public Utilities Commission of the State of Hawaii (PUC) in considering (and potential disapproval of actual or proposed) renewable energy proposals and related costs; reliance by the Utilities on outside parties such as the state, independent power producers (IPPs) and developers; and uncertainties surrounding technologies, solar power, wind power, biofuels, environmental assessments required to meet renewable portfolio

standards (RPS) goals and the impacts of implementation of the renewable energy proposals on future costs of electricity;

the ability of the Utilities to develop, implement and recover the costs of implementing the Utilities' action plans included in their updated Power Supply Improvement Plans (PSIPs), Demand Response Portfolio Plan, Distributed Generation Interconnection Plan, Grid Modernization Plans, and business model changes, which have been and are continuing to be developed and updated in response to the orders issued by the PUC in April 2014, its April 2014 inclinations on the future of Hawaii's electric utilities and the vision, business strategies and regulatory policy changes required to align the Utilities' business model with customer interests and the state's public policy goals, and subsequent orders of the PUC;

capacity and supply constraints or difficulties, especially if generating units (utility-owned or IPP-owned) fail or measures such as demand-side management (DSM), distributed generation (DG), combined heat and power or other firm capacity supply-side resources fall short of achieving their forecasted benefits or are otherwise insufficient to reduce or meet peak demand;

fuel oil price changes, delivery of adequate fuel by suppliers and the continued availability to the electric utilities of their energy cost adjustment clauses (ECACs);

the continued availability to the electric utilities or modifications of other cost recovery mechanisms, including the purchased power adjustment clauses (PPACs), rate adjustment mechanisms (RAMs) and pension and postretirement benefits other than pensions (OPEB) tracking mechanisms, and the continued decoupling of revenues from sales to mitigate the effects of declining kilowatthour sales;

the impact of fuel price volatility on customer satisfaction and political and regulatory support for the Utilities;

the risks associated with increasing reliance on renewable energy, including the availability and cost of non-fossil fuel supplies for renewable energy generation and the operational impacts of adding intermittent sources of renewable energy to the electric grid;

the growing risk that energy production from renewable generating resources may be curtailed and the interconnection of additional resources will be constrained as more generating resources are added to the Utilities' electric systems and as customers reduce their energy usage;

the ability of IPPs to deliver the firm capacity anticipated in their power purchase agreements (PPAs);

the potential that, as IPP contracts near the end of their terms, there may be less economic incentive for the IPPs to make investments in their units to ensure the availability of their units;

the ability of the Utilities to negotiate, periodically, favorable agreements for significant resources such as fuel supply contracts and collective bargaining agreements;

new technological developments that could affect the operations and prospects of the Utilities and ASB or their competitors;

new technological developments, such as the commercial development of energy storage and microgrids, that could affect the operations of the Utilities;

cyber security risks and the potential for cyber incidents, including potential incidents at HEI, ASB and the Utilities (including at ASB branches and electric utility plants) and incidents at data processing centers they use, to the extent not prevented by intrusion detection and prevention systems, anti-virus software, firewalls and other general information technology controls;

federal, state, county and international governmental and regulatory actions, such as existing, new and changes in laws, rules and regulations applicable to HEI, the Utilities and ASB (including changes in taxation, increases in capital requirements, regulatory policy changes, environmental laws and regulations (including resulting compliance costs and risks of fines and penalties and/or liabilities), the regulation of greenhouse gas emissions, governmental fees and assessments (such as Federal Deposit Insurance Corporation assessments), and potential carbon "cap and trade" legislation that may fundamentally alter costs to produce electricity and accelerate the move to renewable generation); developments in laws, regulations and policies governing protections for historic, archaeological and cultural sites, and plant and animal species and habitats, as well as developments in the implementation and enforcement of such laws, regulations and policies;

- discovery of conditions that may be attributable to historical chemical releases, including any necessary investigation and remediation, and any associated enforcement, litigation or regulatory oversight;
- decisions by the PUC in rate cases and other proceedings (including the risks of delays in the timing of decisions, adverse changes in final decisions from interim decisions and the disallowance of project costs as a result of adverse regulatory audit reports or otherwise);

decisions by the PUC and by other agencies and courts on land use, environmental and other permitting issues (such as required corrective actions, restrictions and penalties that may arise, such as with respect to environmental conditions or RPS);

potential enforcement actions by the Office of the Comptroller of the Currency (OCC), the Federal Reserve Board (FRB), the Federal Deposit Insurance Corporation (FDIC) and/or other governmental authorities (such as consent orders, required corrective actions, restrictions and penalties that may arise, for example, with respect to compliance deficiencies under existing or new banking and consumer protection laws and regulations or with respect to capital adequacy);

the ability of the Utilities to recover increasing costs and earn a reasonable return on capital investments not covered by RAMs;

the risks associated with the geographic concentration of HEI's businesses and ASB's loans, ASB's concentration in a single product type (i.e., first mortgages) and ASB's significant credit relationships (i.e., concentrations of large loans and/or credit lines with certain customers);

changes in accounting principles applicable to HEI, the Utilities and ASB, including the adoption of new U.S. accounting standards, the potential discontinuance of regulatory accounting and the effects of potentially required consolidation of variable interest entities (VIEs) or required capital lease accounting for PPAs with IPPs;

changes by securities rating agencies in their ratings of the securities of HEI and Hawaiian Electric and the results of financing efforts;

faster than expected loan prepayments that can cause an acceleration of the amortization of premiums on loans and investments and the impairment of mortgage-servicing assets of ASB;

changes in ASB's loan portfolio credit profile and asset quality which may increase or decrease the required level of provision for loan losses, allowance for loan losses and charge-offs;

changes in ASB's deposit cost or mix which may have an adverse impact on ASB's cost of funds;

the final outcome of tax positions taken by HEI, the Utilities and ASB;

the risks of suffering losses and incurring liabilities that are uninsured (e.g., damages to the Utilities' transmission and distribution system and losses from business interruption) or underinsured (e.g., losses not covered as a result of insurance deductibles or other exclusions or exceeding policy limits); and

other risks or uncertainties described elsewhere in this report and in other reports (e.g., "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K) previously and subsequently filed by HEI and/or Hawaiian Electric with the Securities and Exchange Commission (SEC).

Forward-looking statements speak only as of the date of the report, presentation or filing in which they are made.

Except to the extent required by the federal securities laws, HEI, Hawaiian Electric, ASB and their subsidiaries undertake no obligation to publicly update or revise any forward-looking statements, whether written or oral and whether as a result of new information, future events or otherwise.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Hawaiian Electric Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Income (unaudited)

(in thousands, except per share amounts)	Three months ended		Six months ended June	
	June 30		30	
	2017	2016	2017	2016
Revenues				
Electric utility	\$556,875	\$495,395	\$1,075,486	\$977,447
Bank	75,329	70,749	148,185	139,589
Other	77	100	172	168
Total revenues	632,281	566,244	1,223,843	1,117,204
Expenses				
Electric utility	501,828	424,709	971,501	851,435
Bank	50,533	50,525	99,229	99,771
Other	4,024	5,555	9,355	11,692
Total expenses	556,385	480,789	1,080,085	962,898
Operating income (loss)				
Electric utility	55,047	70,686	103,985	126,012
Bank	24,796	20,224	48,956	39,818
Other	(3,947)	(5,455)	(9,183)	(11,524)
Total operating income	75,896	85,455	143,758	154,306
Interest expense, net—other than on deposit liabilities and other bank borrowings	(20,440)	(17,301)	(40,008)	(37,427)
Allowance for borrowed funds used during construction	1,143	760	2,032	1,422
Allowance for equity funds used during construction	3,027	1,997	5,426	3,736
Income before income taxes	59,626	70,911	111,208	122,037
Income taxes	20,492	26,310	37,408	44,611
Net income	39,134	44,601	73,800	77,426
Preferred stock dividends of subsidiaries	473	473	946	946
Net income for common stock	\$38,661	\$44,128	\$72,854	\$76,480
Basic earnings per common share	\$0.36	\$0.41	\$0.67	\$0.71
Diluted earnings per common share	\$0.36	\$0.41	\$0.67	\$0.71
Dividends declared per common share	\$0.31	\$0.31	\$0.62	\$0.62
Weighted-average number of common shares outstanding	108,750	107,962	108,712	107,791
Net effect of potentially dilutive shares	47	171	157	187
Weighted-average shares assuming dilution	108,797	108,133	108,869	107,978

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hawaiian Electric Industries, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(in thousands)	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Net income for common stock	\$38,661	\$44,128	\$72,854	\$76,480
Other comprehensive income (loss), net of taxes:				
Net unrealized gains on available-for-sale investment securities:				
Net unrealized gains on available-for-sale investment securities arising during the period, net of taxes of \$1,334, \$1,925, \$1,482 and \$6,830, respectively	2,021	2,916	2,244	10,344
Reclassification adjustment for net realized gains included in net income, net of taxes of nil, \$238, nil and \$238, respectively	—	(360)	—	(360)
Derivatives qualifying as cash flow hedges:				
Effective portion of foreign currency hedge net unrealized gains (losses) arising during the period, net of (taxes) benefits of nil, \$475, nil and (\$163), respectively	—	(745)	—	257
Reclassification adjustment to net income, net of tax benefits of nil, nil, \$289 and \$35, respectively	—	—	454	54
Retirement benefit plans:				
Adjustment for amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits of \$2,508, \$2,362, \$5,010 and \$4,619, respectively	3,930	3,698	7,851	7,236
Reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of \$2,281, \$2,166, \$4,582 and \$4,218, respectively	(3,581)	(3,401)	(7,194)	(6,623)
Other comprehensive income, net of taxes	2,370	2,108	3,355	10,908
Comprehensive income attributable to Hawaiian Electric Industries, Inc.	\$41,031	\$46,236	\$76,209	\$87,388

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hawaiian Electric Industries, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (unaudited)

(dollars in thousands)	June 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	\$210,381	\$278,452
Accounts receivable and unbilled revenues, net	249,539	237,950
Available-for-sale investment securities, at fair value	1,302,886	1,105,182
Stock in Federal Home Loan Bank, at cost	11,706	11,218
Loans receivable held for investment, net	4,688,278	4,683,160
Loans held for sale, at lower of cost or fair value	5,261	18,817
Property, plant and equipment, net of accumulated depreciation of \$2,508,291 and \$2,444,348 at June 30, 2017 and December 31, 2016, respectively	4,726,524	4,603,465
Regulatory assets	938,277	957,451
Other	478,763	447,621
Goodwill	82,190	82,190
Total assets	\$ 12,693,805	\$ 12,425,506
Liabilities and shareholders' equity		
Liabilities		
Accounts payable	\$ 194,755	\$ 143,279
Interest and dividends payable	22,124	25,225
Deposit liabilities	5,724,386	5,548,929
Short-term borrowings—other than bank	49,789	—
Other bank borrowings	188,130	192,618
Long-term debt, net—other than bank	1,618,647	1,619,019
Deferred income taxes	750,413	728,806
Regulatory liabilities	431,630	410,693
Contributions in aid of construction	543,204	543,525
Defined benefit pension and other postretirement benefit plans liability	626,795	638,854
Other	434,610	473,512
Total liabilities	10,584,483	10,324,460
Preferred stock of subsidiaries - not subject to mandatory redemption	34,293	34,293
Commitments and contingencies (Notes 3 and 4)		
Shareholders' equity		
Preferred stock, no par value, authorized 10,000,000 shares; issued: none	—	—
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding: 108,785,486 shares and 108,583,413 shares at June 30, 2017 and December 31, 2016, respectively	1,660,403	1,660,910
Retained earnings	444,400	438,972
Accumulated other comprehensive loss, net of tax benefits	(29,774	) (33,129)
Total shareholders' equity	2,075,029	2,066,753
Total liabilities and shareholders' equity	\$ 12,693,805	\$ 12,425,506

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hawaiian Electric Industries, Inc. and Subsidiaries

Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)

(in thousands)	Common stock		Retained	Accumulated other comprehensive	Total
	Shares	Amount	Earnings	income (loss)	
Balance, December 31, 2016	108,583	\$1,660,910	\$438,972	\$ (33,129)	\$2,066,753
Net income for common stock	—	—	72,854	—	72,854
Other comprehensive income, net of taxes	—	—	—	3,355	3,355
Issuance of common stock, net of expenses	202	(507)	—	—	(507)
Common stock dividends	—	—	(67,426)	—	(67,426)
Balance, June 30, 2017	108,785	\$1,660,403	\$444,400	\$ (29,774)	\$2,075,029
Balance, December 31, 2015	107,460	\$1,629,136	\$324,766	\$ (26,262)	\$1,927,640
Net income for common stock	—	—	76,480	—	76,480
Other comprehensive income, net of taxes	—	—	—	10,908	10,908
Issuance of common stock, net of expenses	727	18,002	—	—	18,002
Common stock dividends	—	—	(66,848)	—	(66,848)
Balance, June 30, 2016	108,187	\$1,647,138	\$334,398	\$ (15,354)	\$1,966,182

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Hawaiian Electric Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (unaudited)

(in thousands)	Six months ended	
	June 30 2017	2016
Cash flows from operating activities		
Net income	\$73,800	\$77,426
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property, plant and equipment	100,062	97,148
Other amortization	6,101	4,840
Provision for loan losses	6,741	9,519
Loans receivable originated and purchased, held for sale	(69,595)	(98,004)
Proceeds from sale of loans receivable, held for sale	79,944	98,457
Deferred income taxes	17,047	21,738
Share-based compensation expense	3,285	2,011
Allowance for equity funds used during construction	(5,426)	(3,736)
Other	246	2,982
Changes in assets and liabilities		
Decrease (increase) in accounts receivable and unbilled revenues, net	(12,394)	12,894
Decrease (increase) in fuel oil stock	(5,962)	9,644
Decrease (increase) in regulatory assets	8,179	(11,752)
Increase in accounts, interest and dividends payable	55,451	20,837
Change in prepaid and accrued income taxes, tax credits and utility revenue taxes	(37,954)	622
Increase in defined benefit pension and other postretirement benefit plans liability	420	95
Change in other assets and liabilities	(33,922)	(18,878)
Net cash provided by operating activities	186,023	225,843
Cash flows from investing activities		
Available-for-sale investment securities purchased	(295,510)	(176,598)
Principal repayments on available-for-sale investment securities	99,663	102,716
Proceeds from sale of available-for-sale investment securities	—	16,423
Purchase of stock from Federal Home Loan Bank	(2,868)	(2,773)
Redemption of stock from Federal Home Loan Bank	2,380	2,233
Net increase in loans held for investment	(20,326)	(155,930)
Proceeds from sale of commercial loans	13,493	14,105
Proceeds from sale of real estate acquired in settlement of loans	185	553
Capital expenditures	(222,246)	(203,631)
Contributions in aid of construction	17,571	16,810
Other	8,216	1,106
Net cash used in investing activities	(399,442)	(384,986)
Cash flows from financing activities		
Net increase in deposit liabilities	175,457	206,949
Net increase in short-term borrowings with original maturities of three months or less	49,789	12,922
Net increase (decrease) in retail repurchase agreements	9,048	(27,158)
Proceeds from other bank borrowings	59,500	55,835
Repayments of other bank borrowings	(73,034)	(84,369)
Proceeds from issuance of long-term debt	265,000	75,000
Repayment of long-term debt and funds transferred for redemption of special purpose revenue bonds	(265,000)	(75,000)
Withheld shares for employee taxes on vested share-based compensation	(3,787)	(2,345)

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Net proceeds from issuance of common stock	—	7,668
Common stock dividends	(67,426)	(55,591)
Preferred stock dividends of subsidiaries	(946)	(946)
Other	(3,253)	2,908
Net cash provided by financing activities	145,348	115,873
Net decrease in cash and cash equivalents	(68,071)	(43,270)
Cash and cash equivalents, beginning of period	278,452	300,478
Cash and cash equivalents, end of period	\$210,381	\$257,208

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidated Statements of Income (unaudited)

(in thousands)	Three months ended		Six months ended June	
	June 30	2016	30	2016
Revenues	\$556,875	\$495,395	\$1,075,486	\$977,447
Expenses				
Fuel oil	141,259	91,899	285,529	205,639
Purchased power	153,067	139,058	280,191	254,917
Other operation and maintenance	106,374	99,563	206,614	203,471
Depreciation	48,156	46,760	96,372	93,541
Taxes, other than income taxes	52,972	47,429	102,795	93,867
Total expenses	501,828	424,709	971,501	851,435
Operating income	55,047	70,686	103,985	126,012
Allowance for equity funds used during construction	3,027	1,997	5,426	3,736
Interest expense and other charges, net	(18,214)	(15,103)	(35,718)	(32,411)
Allowance for borrowed funds used during construction	1,143	760	2,032	1,422
Income before income taxes	41,003	58,340	75,725	98,759
Income taxes	14,860	21,984	27,618	36,537
Net income	26,143	36,356	48,107	62,222
Preferred stock dividends of subsidiaries	229	229	458	458
Net income attributable to Hawaiian Electric	25,914	36,127	47,649	61,764
Preferred stock dividends of Hawaiian Electric	270	270	540	540
Net income for common stock	\$25,644	\$35,857	\$47,109	\$61,224

The accompanying notes are an integral part of these condensed consolidated financial statements.

HEI owns all of the common stock of Hawaiian Electric. Therefore, per share data with respect to shares of common stock of Hawaiian Electric are not meaningful.

Hawaiian Electric Company, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(in thousands)	Three months		Six months ended	
	ended June 30	2016	ended June 30	2016
Net income for common stock	\$25,644	\$35,857	\$47,109	\$61,224
Other comprehensive income (loss), net of taxes:				
Derivatives qualifying as cash flow hedges:				
Effective portion of foreign currency hedge net unrealized gains (losses) arising during the period, net of (taxes) benefits of nil, \$475, nil and (\$163), respectively	—	(745)	—	257
Reclassification adjustment to net income, net of tax benefits of nil, nil, \$289 and nil, respectively	—	—	454	—
Retirement benefit plans:				
Adjustment for amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits of \$2,306, \$2,160, \$4,610 and \$4,221, respectively	3,621	3,391	7,239	6,627
Reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of \$2,281, \$2,166, \$4,582 and \$4,218, respectively	(3,581)	(3,401)	(7,194)	(6,623)
Other comprehensive income (loss), net of taxes	40	(755)	499	261
Comprehensive income attributable to Hawaiian Electric Company, Inc.	\$25,684	\$35,102	\$47,608	\$61,485

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (unaudited)

(dollars in thousands, except par value)	June 30, 2017	December 31, 2016
Assets		
Property, plant and equipment		
Utility property, plant and equipment		
Land	\$53,178	\$53,153
Plant and equipment	6,711,418	6,605,732
Less accumulated depreciation	(2,430,097)	(2,369,282)
Construction in progress	272,438	211,742
Utility property, plant and equipment, net	4,606,937	4,501,345
Nonutility property, plant and equipment, less accumulated depreciation of \$1,233 as of June 30, 2017 and \$1,232 as of December 31, 2016	7,410	7,407
Total property, plant and equipment, net	4,614,347	4,508,752
Current assets		
Cash and cash equivalents	42,582	74,286
Customer accounts receivable, net	126,161	123,688
Accrued unbilled revenues, net	103,596	91,693
Other accounts receivable, net	3,684	5,233
Fuel oil stock, at average cost	72,392	66,430
Materials and supplies, at average cost	57,099	53,679
Prepayments and other	36,340	23,100
Regulatory assets	74,167	66,032
Total current assets	516,021	504,141
Other long-term assets		
Regulatory assets	864,110	891,419
Unamortized debt expense	690	208
Other	75,987	70,908
Total other long-term assets	940,787	962,535
Total assets	\$6,071,155	\$5,975,428
Capitalization and liabilities		
Capitalization		
Common stock (\$6 2/3 par value, authorized 50,000,000 shares; outstanding 16,019,785 shares at June 30, 2017 and December 31, 2016)	\$106,818	\$106,818
Premium on capital stock	601,486	601,491
Retained earnings	1,095,025	1,091,800
Accumulated other comprehensive income (loss), net of taxes	177	(322)
Common stock equity	1,803,506	1,799,787
Cumulative preferred stock — not subject to mandatory redemption	34,293	34,293
Long-term debt, net	1,318,845	1,319,260
Total capitalization	3,156,644	3,153,340
Commitments and contingencies (Note 3)		
Current liabilities		
Short-term borrowings from non-affiliates	43,990	—
Accounts payable	162,375	117,814
Interest and preferred dividends payable	19,497	22,838
Taxes accrued	142,263	172,730
Regulatory liabilities	2,883	3,762

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Other	53,140	55,221
Total current liabilities	424,148	372,365
Deferred credits and other liabilities		
Deferred income taxes	759,972	733,659
Regulatory liabilities	428,747	406,931
Unamortized tax credits	91,386	88,961
Defined benefit pension and other postretirement benefit plans liability	587,718	599,726
Other	79,336	76,921
Total deferred credits and other liabilities	1,947,159	1,906,198
Contributions in aid of construction	543,204	543,525
Total capitalization and liabilities	\$6,071,155	\$5,975,428

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Hawaiian Electric Company, Inc. and Subsidiaries

Condensed Consolidated Statements of Changes in Common Stock Equity (unaudited)

	Common stock		Premium on capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
(in thousands)	Shares	Amount	stock			
Balance, December 31, 2016	16,020	\$106,818	\$601,491	\$1,091,800	\$ (322)	\$1,799,787
Net income for common stock	—	—	—	47,109	—	47,109
Other comprehensive income, net of taxes	—	—	—	—	499	499
Common stock dividends	—	—	—	(43,884)	—	(43,884)
Common stock issuance expenses	—	—	(5)	—	—	(5)
Balance, June 30, 2017	16,020	\$106,818	\$601,486	\$1,095,025	\$ 177	\$1,803,506
Balance, December 31, 2015	15,805	\$105,388	\$578,930	\$1,043,082	\$ 925	\$1,728,325
Net income for common stock	—	—	—	61,224	—	61,224
Other comprehensive income, net of taxes	—	—	—	—	261	261
Common stock dividends	—	—	—	(46,800)	—	(46,800)
Common stock issuance expenses	—	—	(4)	—	—	(4)
Balance, June 30, 2016	15,805	\$105,388	\$578,926	\$1,057,506	\$ 1,186	\$1,743,006

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (unaudited)

(in thousands)	Six months ended	
	2017	2016
Cash flows from operating activities		
Net income	\$48,107	\$62,222
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property, plant and equipment	96,372	93,541
Other amortization	4,262	3,793
Deferred income taxes	23,599	32,118
Allowance for equity funds used during construction	(5,426)	(3,736)
Other	1,615	2,982
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	(1,729)	16,682
Increase in accrued unbilled revenues	(11,903)	(3,215)
Decrease (increase) in fuel oil stock	(5,962)	9,644
Increase in materials and supplies	(3,420)	(2,482)
Decrease (increase) in regulatory assets	8,179	(677)
Increase in accounts payable	51,637	23,427
Change in prepaid and accrued income taxes, tax credits and revenue taxes	(40,910)	(28,192)
Increase in defined benefit pension and other postretirement benefit plans liability	302	237
Change in other assets and liabilities	(14,047)	(12,220)
Net cash provided by operating activities	150,676	194,124
Cash flows from investing activities		
Capital expenditures	(202,080)	(197,332)
Contributions in aid of construction	17,571	16,810
Other	6,250	331
Net cash used in investing activities	(178,259)	(180,191)
Cash flows from financing activities		
Common stock dividends	(43,884)	(46,800)
Preferred stock dividends of Hawaiian Electric and subsidiaries	(998)	(998)
Proceeds from issuance of special purpose revenue bonds	265,000	—
Funds transferred for redemption of special purpose revenue bonds	(265,000)	—
Net increase in short-term borrowings from non-affiliates and affiliate with original maturities of three months or less	43,990	36,995
Other	(3,229)	—
Net cash used in financing activities	(4,121)	(10,803)
Net increase (decrease) in cash and cash equivalents	(31,704)	3,130
Cash and cash equivalents, beginning of period	74,286	24,449
Cash and cash equivalents, end of period	\$42,582	\$27,579

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1 · Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for interim financial information, the instructions to SEC Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In preparing the unaudited condensed consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses for the period. Actual results could differ significantly from those estimates. The accompanying unaudited condensed consolidated financial statements and the following notes should be read in conjunction with the audited consolidated financial statements and the notes thereto in HEI's and Hawaiian Electric's Form 10-K for the year ended December 31, 2016.

In the opinion of HEI's and Hawaiian Electric's management, the accompanying unaudited condensed consolidated financial statements contain all material adjustments required by GAAP to fairly state consolidated HEI's and Hawaiian Electric's financial positions as of June 30, 2017 and December 31, 2016, the results of their operations for the three and six months ended June 30, 2017 and 2016 and their cash flows for the six months ended June 30, 2017 and 2016. All such adjustments are of a normal recurring nature, unless otherwise disclosed below or in other referenced material. Results of operations for interim periods are not necessarily indicative of results for the full year. Recent accounting pronouncements.

Revenues from contracts with customers. In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." The core principle of the guidance in ASU No. 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should: (1) identify the contract/s with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when, or as, the entity satisfies a performance obligation. ASU No. 2014-09 also requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

As of June 30, 2017, the Company has identified its revenue streams from, and performance obligations related to, contracts with customers and has performed an analysis of these revenue streams for the impacts of Topic 606. The majority of the revenue subject to Topic 606 is the Utilities' electric sales revenue and the Company and Hawaiian Electric do not expect a material impact on the timing or pattern of revenue recognition upon adoption of ASU No. 2014-09. The Company and Hawaiian Electric expect changes to the presentation and disclosure of revenues. The Company plans to adopt ASU No. 2014-09 (and subsequently issued revenue-related ASUs, as applicable) in the first quarter of 2018 using the modified retrospective approach. The Company continues to monitor developments in industry-specific application guidance and evaluate further impacts of Topic 606.

Financial instruments. In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which, among other things:

• Requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income.

• Requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.

• Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables).

• Eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost.

The Company plans to adopt ASU No. 2016-01 in the first quarter of 2018 and expects changes to disclosures, but otherwise believes the impact of adoption will not be material to the Company's and Hawaiian Electric's consolidated financial statements.

Leases. In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which requires that lessees recognize a liability to make lease payments (the lease liability) and a right-of-use asset, representing its right to use the underlying asset for the lease term, for all leases (except short-term leases) at the commencement date. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election and recognize lease expense for such leases generally on a straight-line basis over the lease term. For finance leases, a lessee is required to recognize interest on the lease liability separately from amortization of the right-of-use asset in the condensed consolidated statement of income. For operating leases, a lessee is required to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.

The Company plans to adopt ASU No. 2016-02 in the first quarter of 2019 and has not yet determined the method or impact of adoption.

Stock compensation. In March 2016, the FASB issued ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," which simplifies several aspects of the accounting for share-based payment transactions.

The Company adopted ASU No. 2016-09 in the first quarter of 2017. From January 1, 2017, all excess tax benefits and tax deficiencies are recognized as income tax expense or benefit in the income statement. From January 1, 2017, no excess tax benefits or deficiencies are included in determining the assumed proceeds under the treasury stock method of calculating diluted EPS. As of January 1, 2017, HEI adopted an accounting policy to account for forfeitures when they occur.

From January 1, 2017, HEI retrospectively applied the cashflow guidance for taxes paid (equivalent to the value of withheld shares for tax withholding purposes) and excess tax benefits. Excess tax benefits will be classified along with other income tax cash flows as an operating activity and the cash payments made to taxing authorities on the employees' behalf for withheld shares are classified as financing activities on the HEI unaudited condensed consolidated statements of cash flows for all periods that are presented.

Credit Losses. In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. ASU No. 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date (based on historical experience, current conditions and reasonable and supportable forecasts) and enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, ASU No. 2016-13 amends the accounting for credit losses on available-for-sale (AFS) debt securities and purchased financial assets with credit deterioration. The other-than-temporary impairment model of accounting for credit losses on AFS debt securities will be replaced with an estimate of expected credit losses only when the fair value is below the amortized cost of the asset. The length of time the fair value of an AFS debt security has been below the amortized cost will no longer impact the determination of whether a credit loss exists. The AFS debt security model will also require the use of an allowance to record the estimated losses (and subsequent recoveries). The accounting for the initial recognition of the estimated expected credit losses for purchased financial assets with credit deterioration would be recognized through an allowance for credit losses with an offset to the cost basis of the related financial asset at acquisition (i.e., there is no impact to net income at initial recognition).

The Company plans to adopt ASU No. 2016-13 in the first quarter of 2020 and has not yet determined the impact of adoption.

Cash Flows. In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which provides guidance on eight specific cash flow issues - debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies), distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle.

The Company plans to adopt ASU No. 2016-15 in the first quarter of 2018 using a retrospective transition method and has not yet determined the impact of adoption.

Restricted cash. In November 2016, the FASB issued ASU No. 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash,” which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

The Company plans to adopt ASU No. 2016-18 in the first quarter of 2018 using a retrospective transition method and believes the impact of adoption will not be material to the Company's and Hawaiian Electric's consolidated statements of cash flows.

Goodwill impairment. In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." Prior to the adoption of ASU No. 2017-04, an entity was required to perform a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, an entity compared the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeded its fair value, the entity performed Step 2 and compared the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeded the implied fair value of that goodwill would then be recorded. ASU No. 2017-04 removes the second step of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value. ASU No. 2017-04 does not amend the optional qualitative assessment of goodwill impairment.

The Company plans to adopt ASU No. 2017-04 prospectively in the fourth quarter of 2017 and believes the impact of adoption will not be material to the Company's and Hawaiian Electric's consolidated financial statements.

Net periodic pension cost and net periodic postretirement benefit cost. In March 2017, the FASB issued ASU No. 2017-07, "Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. It also requires the other components of net periodic pension cost and net periodic postretirement benefit cost as defined in paragraphs 715-30-35-4 and 715-60-35-9 to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. Additionally, only the service cost component is eligible for capitalization under GAAP, when applicable.

The Company plans to adopt ASU No. 2017-07 in the first quarter of 2018 and has not yet determined the impact of adoption.

2 · Segment financial information

(in thousands)	Electric utility	Bank	Other	Total
Three months ended June 30, 2017				
Revenues from external customers	\$ 556,836	\$ 75,329	\$ 116	\$ 632,281
Intersegment revenues (eliminations)	39	—	(39)	—
Revenues	\$ 556,875	\$ 75,329	\$ 77	\$ 632,281
Income (loss) before income taxes	\$ 41,003	\$ 24,796	\$(6,173)	\$ 59,626
Income taxes (benefit)	14,860	8,063	(2,431)	20,492
Net income (loss)	26,143	16,733	(3,742)	39,134
Preferred stock dividends of subsidiaries	499	—	(26)	473
Net income (loss) for common stock	\$ 25,644	\$ 16,733	\$(3,716)	\$ 38,661
Six months ended June 30, 2017				
Revenues from external customers	\$ 1,075,402	\$ 148,185	\$ 256	\$ 1,223,843
Intersegment revenues (eliminations)	84	—	(84)	—
Revenues	\$ 1,075,486	\$ 148,185	\$ 172	\$ 1,223,843
Income (loss) before income taxes	\$ 75,725	\$ 48,956	\$(13,473)	\$ 111,208
Income taxes (benefit)	27,618	16,410	(6,620)	37,408
Net income (loss)	48,107	32,546	(6,853)	73,800
Preferred stock dividends of subsidiaries	998	—	(52)	946
Net income (loss) for common stock	\$ 47,109	\$ 32,546	\$(6,801)	\$ 72,854
Total assets (at June 30, 2017)	\$ 6,071,155	\$ 6,610,877	\$ 11,773	\$ 12,693,805
Three months ended June 30, 2016				
Revenues from external customers	\$ 495,349	\$ 70,749	\$ 146	\$ 566,244
Intersegment revenues (eliminations)	46	—	(46)	—
Revenues	\$ 495,395	\$ 70,749	\$ 100	\$ 566,244
Income (loss) before income taxes	\$ 58,340	\$ 20,224	\$(7,653)	\$ 70,911
Income taxes (benefit)	21,984	6,939	(2,613)	26,310
Net income (loss)	36,356	13,285	(5,040)	44,601
Preferred stock dividends of subsidiaries	499	—	(26)	473
Net income (loss) for common stock	\$ 35,857	\$ 13,285	\$(5,014)	\$ 44,128
Six months ended June 30, 2016				
Revenues from external customers	\$ 977,394	\$ 139,589	\$ 221	\$ 1,117,204
Intersegment revenues (eliminations)	53	—	(53)	—
Revenues	\$ 977,447	\$ 139,589	\$ 168	\$ 1,117,204
Income (loss) before income taxes	\$ 98,759	\$ 39,818	\$(16,540)	\$ 122,037
Income taxes (benefit)	36,537	13,860	(5,786)	44,611
Net income (loss)	62,222	25,958	(10,754)	77,426
Preferred stock dividends of subsidiaries	998	—	(52)	946
Net income (loss) for common stock	\$ 61,224	\$ 25,958	\$(10,702)	\$ 76,480
Total assets (at December 31, 2016)	\$ 5,975,428	\$ 6,421,357	\$ 28,721	\$ 12,425,506

Intercompany electricity sales of the Utilities to the bank and “other” segments are not eliminated because those segments would need to purchase electricity from another source if it were not provided by the Utilities and the profit on such sales is nominal.

Bank fees that ASB charges the Utilities and “other” segments are not eliminated because those segments would pay fees to another financial institution if they were to bank with another institution and the profit on such fees is nominal.

3 · Electric utility segment

Revenue taxes. The Utilities' revenues include amounts for the recovery of various Hawaii state revenue taxes. Revenue taxes are generally recorded as an expense in the period the related revenues are recognized. However, the Utilities' revenue tax payments to the taxing authorities in the period are based on the prior year's billed revenues (in the case of public service company taxes and PUC fees) or on the current year's cash collections from electric sales (in the case of franchise taxes). The Utilities included in the second quarters of 2017 and 2016 and six months ended June 30, 2017 and 2016 approximately \$50 million, \$44 million, \$96 million and \$87 million, respectively, of revenue taxes in "revenues" and in "taxes, other than income taxes" expense, in the unaudited condensed consolidated statements of income.

Unconsolidated variable interest entities.

HECO Capital Trust III. HECO Capital Trust III (Trust III) was created and exists for the exclusive purposes of (i) issuing in March 2004 2,000,000 6.50% Cumulative Quarterly Income Preferred Securities, Series 2004 (2004 Trust Preferred Securities) (\$50 million aggregate liquidation preference) to the public and trust common securities (\$1.5 million aggregate liquidation preference) to Hawaiian Electric, (ii) investing the proceeds of these trust securities in 2004 Debentures issued by Hawaiian Electric in the principal amount of \$31.5 million and issued by Hawaii Electric Light and Maui Electric each in the principal amount of \$10 million, (iii) making distributions on these trust securities and (iv) engaging in only those other activities necessary or incidental thereto. The 2004 Trust Preferred Securities are mandatorily redeemable at the maturity of the underlying debt on March 18, 2034, which maturity may be extended to no later than March 18, 2053; and are currently redeemable at the issuer's option without premium. The 2004 Debentures, together with the obligations of the Utilities under an expense agreement and Hawaiian Electric's obligations under its trust guarantee and its guarantee of the obligations of Hawaii Electric Light and Maui Electric under their respective debentures, are the sole assets of Trust III. Taken together, Hawaiian Electric's obligations under the Hawaiian Electric debentures, the Hawaiian Electric indenture, the subsidiary guarantees, the trust agreement, the expense agreement and trust guarantee provide, in the aggregate, a full, irrevocable and unconditional guarantee of payments of amounts due on the Trust Preferred Securities. Trust III has at all times been an unconsolidated subsidiary of Hawaiian Electric. Since Hawaiian Electric, as the holder of 100% of the trust common securities, does not absorb the majority of the variability of Trust III, Hawaiian Electric is not the primary beneficiary and does not consolidate Trust III in accordance with accounting rules on the consolidation of VIEs. Trust III's balance sheets as of June 30, 2017 and December 31, 2016 each consisted of \$51.5 million of 2004 Debentures; \$50.0 million of 2004 Trust Preferred Securities; and \$1.5 million of trust common securities. Trust III's income statements for the six months ended June 30, 2017 consisted of \$1.7 million of interest income received from the 2004 Debentures; \$1.6 million of distributions to holders of the Trust Preferred Securities; and \$50,000 of common dividends on the trust common securities to Hawaiian Electric. As long as the 2004 Trust Preferred Securities are outstanding, Hawaiian Electric is not entitled to receive any funds from Trust III other than pro-rata distributions, subject to certain subordination provisions, on the trust common securities. In the event of a default by Hawaiian Electric in the performance of its obligations under the 2004 Debentures or under its Guarantees, or in the event any of the Utilities elect to defer payment of interest on any of their respective 2004 Debentures, then Hawaiian Electric will be subject to a number of restrictions, including a prohibition on the payment of dividends on its common stock.

Power purchase agreements. As of June 30, 2017, the Utilities had five power purchase agreements (PPAs) for firm capacity and other PPAs with independent power producers (IPPs) and Schedule Q providers (e.g., customers with cogeneration and/or power production facilities who buy power from or sell power to the Utilities), none of which are currently required to be consolidated as VIEs.

Some of the IPPs provided sufficient information for Hawaiian Electric to determine that the IPP was not a VIE, or was either a "business" or "governmental organization," and thus excluded from the scope of accounting standards for VIEs. Other IPPs declined to provide the information necessary for Hawaiian Electric to determine the applicability of accounting standards for VIEs. Since 2004, Hawaiian Electric has continued its efforts to obtain from the other IPPs the information necessary to make the determinations required under accounting standards for VIEs. In each year from 2005 to 2016, the Utilities sent letters to the identified IPPs requesting the required information. All of these IPPs

declined to provide the necessary information, except that Kalaeloa Partners, L.P. (Kalaeloa) later agreed to provide the information pursuant to the amendments to its PPA (see below). During the negotiations of an amendment to the PPA with AES Hawaii, Inc. (AES Hawaii), management determined that Hawaiian Electric was not the primary beneficiary of AES Hawaii under the existing PPA and consolidation was not required (see below). Management has concluded that the consolidation of two entities owning wind farms was not required as Hawaii Electric Light and Maui Electric do not have variable interests in the entities because the PPAs do not require them to absorb any variability of the entities. If the requested information is ultimately received from the remaining IPPs, a possible outcome of future analyses of such information is the consolidation of one or more of such IPPs in the unaudited condensed consolidated financial statements. The consolidation of any significant IPP could have a material effect on the unaudited condensed consolidated financial statements, including the recognition of a significant amount of assets and liabilities and, if such a consolidated IPP were operating at a loss and had insufficient equity, the potential recognition of such

losses. If the Utilities determine they are required to consolidate the financial statements of such an IPP and the consolidation has a material effect, the Utilities would retrospectively apply accounting standards for VIEs. Pursuant to the current accounting standards for VIEs, Hawaiian Electric is deemed to have a variable interest in Kalaeloa and AES Hawaii by reason of the provisions of Hawaiian Electric's PPA with Kalaeloa and AES Hawaii, respectively. However, management has concluded that Hawaiian Electric is not the primary beneficiary of Kalaeloa or AES Hawaii because Hawaiian Electric does not have the power to direct the activities that most significantly impact Kalaeloa's and AES Hawaii's economic performance nor the obligation to absorb Kalaeloa's or AES Hawaii's expected losses, if any, that could potentially be significant to Kalaeloa or AES Hawaii. Thus, Hawaiian Electric has not consolidated Kalaeloa or AES Hawaii in its unaudited condensed consolidated financial statements.

Commitments and contingencies.

Contingencies. The Utilities are subject in the normal course of business to pending and threatened legal proceedings. Management does not anticipate that the aggregate ultimate liability arising out of these pending or threatened legal proceedings will be material to its financial position. However, the Utilities cannot rule out the possibility that such outcomes could have a material effect on the results of operations or liquidity for a particular reporting period in the future.

Power purchase agreements. As of June 30, 2017, purchases from all IPPs were as follows:

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
(in millions)				
Kalaeloa	\$48	\$36	\$88	\$65
AES Hawaii	35	36	64	74
HPOWER	16	17	33	33
Puna Geothermal Venture	10	5	18	12
HEP	10	4	17	15
Other IPPs ¹	34	41	60	56
Total IPPs	\$153	\$139	\$280	\$255

¹ Includes wind power, solar power, feed-in tariff projects and other PPAs.

Kalaeloa Partners, L.P. In October 1988, Hawaiian Electric entered into a PPA with Kalaeloa, subsequently approved by the PUC, which provided that Hawaiian Electric would purchase 180 megawatts (MW) of firm capacity for a period of 25 years beginning in May 1991. In October 2004, Hawaiian Electric and Kalaeloa entered into amendments to the PPA, subsequently approved by the PUC, which together effectively increased the firm capacity from 180 MW to 208 MW. The energy payments that Hawaiian Electric makes to Kalaeloa include: (1) a fuel component, with a fuel price adjustment based on the cost of low sulfur fuel oil, (2) a fuel additives cost component and (3) a non-fuel component, with an adjustment based on changes in the Gross National Product Implicit Price Deflator. The capacity payments that Hawaiian Electric makes to Kalaeloa are fixed in accordance with the PPA. Kalaeloa also has a steam delivery cogeneration contract with another customer, the term of which coincides with the PPA. The facility has been certified by the Federal Energy Regulatory Commission as a Qualifying Facility under the Public Utility Regulatory Policies Act of 1978.

Hawaiian Electric and Kalaeloa are in negotiations to address the PPA term that ended on May 23, 2016. On August 1, 2016, Hawaiian Electric and Kalaeloa entered into an agreement that neither party will give written notice of termination of the Kalaeloa PPA prior to October 31, 2017. The PPA automatically extends on a month-to-month basis as long as the parties are still negotiating in good faith. The month-to-month term extensions shall end 60 days after either party notifies the other in writing that negotiations have terminated.

AES Hawaii, Inc. Under a PPA entered into in March 1988, as amended (through Amendment No. 2) for a period of 30 years beginning September 1992, Hawaiian Electric agreed to purchase 180 MW of firm capacity from AES Hawaii. In August 2012, Hawaiian Electric filed an application with the PUC seeking an exemption from the PUC's

Competitive Bidding Framework to negotiate an amendment to the PPA to purchase 186 MW of firm capacity, and amend the energy pricing formula in the PPA. The PUC approved the exemption in April 2013, but Hawaiian Electric and AES Hawaii were not able to reach an agreement on the amendment. In June 2015, AES Hawaii filed an arbitration demand regarding a dispute about whether Hawaiian Electric was obligated to buy up to 9 MW of additional capacity based on a 1992 letter. Hawaiian Electric responded to the arbitration demand and in October 2015, AES Hawaii and Hawaiian Electric entered into a Settlement Agreement to stay the arbitration proceeding. The Settlement Agreement included certain conditions precedent which, if satisfied, would have released the parties from the claims under the arbitration proceeding. Among the conditions precedent was the successful negotiation and PUC approval of an amendment to the existing PPA.

In November 2015, Hawaiian Electric entered into Amendment No. 3 for which PUC approval was requested and subsequently denied in January 2017. Approval of Amendment No. 3 would have satisfied the final condition for effectiveness of the Settlement Agreement and resolved AES Hawaii's claims. Following the PUC's decision, the parties agreed to extend the stay of the arbitration proceeding, while settlement discussions continue.

Hu Honua Bioenergy, LLC. In May 2012, Hawaii Electric Light signed a PPA, which the PUC approved in December 2013, with Hu Honua Bioenergy, LLC (Hu Honua) for 21.5 MW of renewable, dispatchable firm capacity fueled by locally grown biomass from a facility on the island of Hawaii. Per the terms of the PPA, the Hu Honua plant was scheduled to be in service in 2016. However, Hu Honua encountered construction delays, failed to meet its obligations under the PPA and failed to provide adequate assurances that it could perform or had the financial means to perform. Hawaii Electric Light terminated the PPA on March 1, 2016. On November 30, 2016, Hu Honua filed a civil complaint in the United States District Court for the District of Hawaii that included claims purportedly arising out of the termination of Hu Honua's PPA. On May 26, 2017, Hawaii Electric Light and Hu Honua entered into a settlement agreement that will settle all claims related to the termination of the original PPA. The settlement agreement was contingent on the PUC's approval of an amended and restated PPA between Hawaii Electric Light and Hu Honua dated May 5, 2017. In July 2017, the PUC approved the amended and restated PPA. Hu Honua is expected to be on-line by the end of 2018.

Utility projects. Many public utility projects require PUC approval and various permits from other governmental agencies. Difficulties in obtaining, or the inability to obtain, the necessary approvals or permits can result in significantly increased project costs or even cancellation of projects. In the event a project does not proceed, or if it becomes probable the PUC will disallow cost recovery for all or part of a project, or if PUC imposed caps on project costs are expected to be exceeded, project costs may need to be written off in amounts that could result in significant reductions in Hawaiian Electric's consolidated net income.

Enterprise Resource Planning/Enterprise Asset Management (ERP/EAM) Implementation Project. The Utilities submitted their Enterprise Information System Roadmap to the PUC in June 2014 and refiled an application for an ERP/EAM Implementation Project in July 2014 with an estimated cost of \$82.4 million. In 2015, the PUC denied the request of the Utilities to defer the costs of the ERP software purchased in 2012 and these costs were written off in the third quarter of 2015.

On August 11, 2016, the PUC approved the Utilities' request to commence the ERP/EAM Implementation Project, subject to certain conditions, including a \$77.6 million cap on cost recovery as well as a requirement that the Utilities pass onto customers a minimum of \$244 million in savings associated with the system over its 12-year service life. The decision and order (D&O) approved the deferral of certain project costs and allowed the accrual of allowance for funds used during construction (AFUDC), but limited the AFUDC rate to 1.75%. Pursuant to the D&O and subsequent orders, the Utilities are required to file a bottom-up, low-level analysis of the project's benefits; performance metrics and tracking mechanism for passing the project's benefits on to customers by September 2017; and monthly reports on the status and costs of the project.

On March 31, 2017, the Utilities filed their proposed methods of passing on to customers the estimated monetary savings attributable to the project. These proposed methods continue to be reviewed by the PUC and Consumer Advocate. The ERP/EAM Implementation Project is on schedule. The project is expected to go live by October 1, 2018. As of June 30, 2017, the Project incurred costs of \$14.0 million of which \$2.5 million were charged to other operation and maintenance (O&M) expense, \$1.1 million relate to capital costs and \$10.4 million are deferred costs.

Schofield Generating Station Project. In August 2012, the PUC approved a waiver from the competitive bidding framework to allow Hawaiian Electric to negotiate with the U.S. Army for the construction of a 50 MW utility owned and operated firm, renewable and dispatchable generation facility at Schofield Barracks. In September 2015, the PUC approved Hawaiian Electric's application to expend \$167 million for the project. In approving the project, the PUC placed a cost cap of \$167 million for the project, stated 90% of the cap is allowed for cost recovery through cost recovery mechanisms other than base rates, and stated the \$167 million cap will be adjusted downward due to any reduction in the cost of the engine contract due to a reduction in the foreign exchange rate. Hawaiian Electric was required to take all necessary steps to lock in the lowest possible exchange rate. On January 5, 2016, Hawaiian Electric executed window forward contracts, which lowered the cost of the engine contract by \$9.7 million, resulting

in a revised project cost cap of \$157.3 million. Hawaiian Electric has received all of the major permits for the project, including a 35 year site lease from the U.S. Army. Construction of the facility began in October 2016, and the facility is expected to be placed in service in the second quarter of 2018. Project costs incurred as of June 30, 2017 amounted to \$87.8 million. The project costs have been included for recovery in the 2017 test year rate case.

West Loch PV Project. In July 2016, Hawaiian Electric announced plans to build, own and operate a utility-owned, grid-tied 20-MW (ac) solar facility in conjunction with the Department of the Navy at a Navy/Air Force joint base. In June 2017, the PUC approved the expenditure of funds for the project, including Hawaiian Electric's proposed project cost cap of \$67 million and a performance guarantee to provide energy at 9.56 cents/KWH or less. Project costs incurred as of June 30, 2017 amounted to \$0.4 million.

In approving the project, the PUC agreed the project is eligible for recovery of costs offset by related net benefits under the Major Project Interim Recovery (MPIR) guidelines (see “Decoupling” section below for MPIR guidelines). The PUC established a procedural schedule for Hawaiian Electric to provide supplemental materials to support meeting the MPIR guidelines for recovery of costs accompanied by system performance guarantee and cost savings sharing mechanisms and for the Consumer Advocate to review and comment on the information filed. This is first instance in which the PUC is considering a request for recovery pursuant to the MPIR Guidelines.

Hamakua Energy Partners, L.P. (HEP) Asset Purchase Agreement. Hawaii Electric Light has been purchasing up to 60 MW (net) of firm capacity from HEP under a PPA that expires on December 30, 2030. The HEP plant currently contributes about 23% of the island of Hawaii’s generating capacity. In December 2015, Hawaii Electric Light entered into an agreement, subject to PUC approval, to acquire the assets of HEP for approximately \$84.5 million. On May 4, 2017, the PUC denied Hawaii Electric Light’s application for approval of the Asset Purchase Agreement (APA) on the grounds that customer benefits were not sufficiently demonstrated to justify the purchase and in July 2017, Hawaii Electric Light and HEP terminated the APA.

Hawaiian Telcom. The Utilities each have separate agreements for the joint ownership and maintenance of utility poles with Hawaiian Telcom, Inc. (Hawaiian Telcom), the respective county or counties in which each utility operates and other third parties, such as the State of Hawaii. The agreements set forth various circumstances requiring pole removal/installation/replacement and the sharing of costs among the joint pole owners. The agreements allow for the cost of work done by one joint pole owner to be shared by the other joint pole owners based on the apportionment of costs in the agreements. The Utilities have maintained, replaced and installed the majority of the jointly-owned poles in each of the respective service territories, and have billed the other joint pole owners for their respective share of the costs. The counties and the State have been reimbursing the Utilities for their share of the costs. However, Hawaiian Telcom has been delinquent in reimbursing the Utilities for its share of the costs.

Hawaiian Electric has initiated a dispute resolution process to collect the unpaid amounts from Hawaiian Telcom as specified by the joint pole agreement. For Hawaii Electric Light, the agreement does not specify an alternative dispute resolution process, and thus a complaint for payment was filed with the Circuit Court in June 2016. Maui Electric has not yet commenced any legal action to recover the delinquent amounts. As of June 30, 2017, total receivables under the joint pole agreement, including interest, from Hawaiian Telcom are \$22.1 million (\$14.8 million at Hawaiian Electric, \$6.0 million at Hawaii Electric Light, and \$1.3 million at Maui Electric). Management expects to prevail on these claims but has reserved for the accrued interest of \$4.9 million on the receivables.

Environmental regulation. The Utilities are subject to environmental laws and regulations that regulate the operation of existing facilities, the construction and operation of new facilities and the proper cleanup and disposal of hazardous waste and toxic substances.

Hawaiian Electric, Hawaii Electric Light and Maui Electric, like other utilities, periodically encounter petroleum or other chemical releases into the environment associated with current or previous operations. The Utilities report and take action on these releases when and as required by applicable law and regulations. The Utilities believe the costs of responding to such releases identified to date will not have a material effect, individually or in the aggregate, on Hawaiian Electric’s consolidated results of operations, financial condition or liquidity.

Former Molokai Electric Company generation site. In 1989, Maui Electric acquired by merger Molokai Electric Company. Molokai Electric Company had sold its former generation site (Site) in 1983, but continued to operate at the Site under a lease until 1985. The Environmental Protection Agency (EPA) has since identified environmental impacts in the subsurface soil at the Site. Although Maui Electric never operated at the Site or owned the Site property, after discussions with the EPA and the Hawaii Department of Health (DOH), Maui Electric agreed to undertake additional investigations at the Site and an adjacent parcel that Molokai Electric Company had used for equipment storage (the Adjacent Parcel) to determine the extent of environmental contamination. A 2011 assessment by a Maui Electric contractor of the Adjacent Parcel identified environmental impacts, including elevated polychlorinated biphenyls (PCBs) in the subsurface soils. In cooperation with the DOH and EPA, Maui Electric is further investigating the Site and the Adjacent Parcel to determine the extent of impacts of PCBs, residual fuel oils and other subsurface contaminants. Maui Electric has a reserve balance of \$3.5 million as of June 30, 2017, representing the probable and reasonably estimated cost to complete the additional investigation and estimated

cleanup costs at the Site and the Adjacent Parcel; however, final costs of remediation will depend on the results of continued investigation.

Pearl Harbor sediment study. In July 2014, the U.S. Navy notified Hawaiian Electric of the Navy's determination that Hawaiian Electric is a Potentially Responsible Party responsible for cleanup of PCB contamination in sediment in the area offshore of the Waiiau Power Plant as part of the Pearl Harbor Superfund Site. The Navy has also requested that Hawaiian Electric reimburse the costs incurred by the Navy to investigate the area. The Navy has completed a remedial investigation and a feasibility study (FS) for the remediation of contaminated sediment at several locations in Pearl Harbor and issued its Final

FS Report on June 29, 2015. On February 2, 2016, the Navy released the Proposed Plan for Pearl Harbor Sediment Remediation and Hawaiian Electric submitted comments. The extent of the contamination, the appropriate remedial measures to address it and Hawaiian Electric's potential responsibility for any associated costs have not been determined.

On March 23, 2015, Hawaiian Electric received a letter from the EPA requesting that Hawaiian Electric submit a work plan to assess potential sources and extent of PCB contamination onshore at the Waiau Power Plant. Hawaiian Electric submitted a sampling and analysis (SAP) work plan to the EPA and the DOH. Onshore sampling at the Waiau Power Plant was completed in two phases in December 2015 and June 2016. The extent of the onshore contamination, the appropriate remedial measures to address it and any associated costs have not yet been determined.

As of June 30, 2017, the reserve account balance recorded by Hawaiian Electric to address the PCB contamination was \$4.9 million. The reserve represents the probable and reasonably estimable cost to complete the onshore and offshore investigations and the remediation of PCB contamination in the offshore sediment. The final remediation costs will depend on the results of the onshore investigation and assessment of potential source control requirements, as well as the further investigation of contaminated sediment offshore from the Waiau Power Plant.

Regulatory proceedings

April 2014 regulatory orders. In April 2014, the PUC issued four orders that collectively address certain key policy, resource planning and operational issues for the Utilities. The Utilities addressed these orders as follows:

Integrated Resource Planning. The PUC did not accept the Utilities' Integrated Resource Plan and Action Plans submission, and, in lieu of an approved plan, has commenced other initiatives to enable resource planning. The PUC directed each of Hawaiian Electric and Maui Electric to file their respective Power Supply Improvement Plans (PSIPs), which they did in August 2014. The PUC also provided its inclinations on the future of Hawaii's electric utilities in an exhibit to the order. The exhibit provides the PUC's perspectives on the vision, business strategies and regulatory policy changes required to align the Utilities' business model with customers' interests and the state's public policy goals.

Reliability Standards Working Group. The PUC ordered the Utilities to take timely actions intended to lower energy costs, improve system reliability and address emerging challenges to integrate additional renewable energy. In addition to the PSIPs mentioned above, the PUC ordered certain filing requirements, including a Distributed Generation Interconnection Plan, which the Utilities filed in August 2014.

The PUC also stated it would be opening new dockets to address (1) reliability standards, (2) the technical, economic and policy issues associated with distributed energy resources (DER) and (3) the Hawaii electricity reliability administrator, which is a third party position which the legislature has authorized the PUC to create by contract to provide support for the PUC in developing and periodically updating local grid reliability standards and procedures and interconnection requirements and overseeing grid access and operation. The PUC has not yet opened new dockets to address the first and third topics above. To address DER, the second topic, the PUC opened an investigative proceeding on August 21, 2014 (see "DER Investigative Proceeding" below).

Policy Statement and Order Regarding Demand Response Programs. The PUC provided guidance concerning the objectives and goals for demand response programs, and ordered the Utilities to develop an integrated Demand Response (DR) Portfolio Plan that will enhance system operations and reduce costs to customers. The Utilities' Plan was filed in July 2014. Subsequently, the Utilities submitted status updates and an update and supplemental report to the Plan. In July 2015, the PUC issued an order appointing a special adviser to guide, monitor and review the Utility's Plan design and implementation. In December 2015, the Utilities filed applications with the PUC (1) for approval of their proposed DR Portfolio Tariff Structure, Reporting Schedule and Cost Recovery of Program Costs and (2) for approval to defer and recover certain computer software and software development costs for a DR Management System through the Renewable Energy Infrastructure Program (REIP) Surcharge. The Utilities filed an updated DR Portfolio Plan in February 2017. In May 2017, the Utilities filed their reply to the statements of position submitted by the other parties and are awaiting a PUC decision.

In the DR Management System proceeding, the parties filed statements of position in December 2016 and are awaiting a PUC decision.

Review of PSIPs. Collectively, the PUC's April 2014 resource planning orders confirm the energy policy and operational priorities that will guide the Utilities' strategies and plans going forward.

In August 2014, the Utilities filed proposed PSIPs with the PUC, as required by the PUC orders issued in April 2014. Updated PSIPs were filed in April 2016, pursuant to an order issued by the PUC in November 2015 which included the PUC's observations and concerns, and comments provided by parties and participants. The Updated PSIPs provided plans to achieve 100% renewable energy using a diverse mix of energy resources by 2045. Under these plans, the Utilities support sustainable

growth of private rooftop solar, expand use of energy storage systems, empower customers by developing smart grids and offer new products and services to customers (e.g., community solar, microgrids and voluntary “demand response” programs). In December 2016, the Utilities filed a PSIP Update Report as ordered by the PUC. The updated plans describe greater and faster expansion of the Utilities’ renewable energy portfolio than in the plans filed in April 2016, and emphasize work that is in progress or planned over the next five years on each of the five islands the Utilities serve. The plans include the continued growth of private rooftop solar and describe the grid and generation modernization work needed to reliably integrate an estimated total of 165,000 private systems by 2030, more than double today’s total of 79,000, and additional grid-scale renewable energy resources.

On July 14, 2017, the PUC accepted the Utilities’ PSIP December 2016 Update Report and closed the proceeding. In its order, the PUC provided guidance regarding the implementation of the Utilities’ near-term action plan and future planning activities, requiring the Utilities to file a report that details an updated resource planning approach and schedule by March 1, 2018. The PUC order stated that it intends to use the PSIPs in conjunction with its evaluation of specific filings for approval of capital and other projects.

DER investigative proceeding. In March 2015, the PUC issued an order to address DER issues.

On June 29, 2015, the Utilities submitted their final Statement of Position in the DER proceeding, which included:

- (1) new pricing provisions for future private rooftop photovoltaic (PV) systems,
- (2) technical standards for advanced inverters,
- (3) new options for customers including battery-equipped private rooftop PV systems,
- (4) a pilot time-of-use rate,
- (5) an improved method of calculating the amount of private rooftop PV that can be safely installed, and
- (6) a streamlined and standardized PV application process.

On October 12, 2015, the PUC issued a D&O establishing DER reforms that: (1) promote rapid adoption of the next generation of solar PV and other distributed energy technologies; (2) encourage more competitive pricing of distributed energy resource systems; (3) lower overall energy supply costs for all customers; and (4) help to manage DER in terms of each island’s limited grid capacity.

The D&O capped the Utilities Net Energy Metering (NEM) programs at “existing” levels (i.e., for existing NEM customers and customers who already applied and were waiting for approval), closed their NEM programs to new participants, and approved new options for customers to interconnect DER to their electric grids, including Self Supply and Grid Supply tariff options. The PUC placed caps on the availability of the Grid Supply program. The Self Supply Program is designed for customers who do not export to the grid.

In June 2016, the PUC approved the Utilities Advanced Inverter Test Plan and the Utilities submitted the results of the testing to the PUC.

Pursuant to a PUC order, in October 2016, the Utilities submitted tariffs for a Residential Interim Time of Use program, which is limited to 2 years and 5,000 customers. The primary objective is to encourage more efficient use of the electric system and enable more cost-effective integration of renewable energy by shifting customer load from the system’s higher cost, peak demand period to the mid-day period when relatively inexpensive renewable resources are abundant.

The DER Phase 2 of this proceeding is focused on further developing competitive markets for distributed energy resources, including storage. On December 9, 2016, the PUC issued an order, establishing the statement of issues and procedural schedule to govern Phase 2 of this proceeding. Technical track issues, including DER integration analyses and revisions to interconnection standards, will be addressed before the end of 2017. More complex market issues will be addressed in late 2018.

Pursuant to PUC order, in January and February 2017, the Utilities and various DER parties submitted tariff proposals and stipulations to modify existing interim DER option and proposals, and interconnection standards to facilitate or enable interim DER options, as well as provided comments and reply comments on such tariff proposals.

In May 2017, the PUC issued a D&O that approved the parties’ stipulations filed in January and February 2017. This D&O also instructed the development of smart export proposals and Customer Self-Supply revisions, directed working groups to collaborate to discuss Phase 2 issues, and modified the procedural schedule. In compliance with the D&O, the Utilities are meeting regularly with the DER parties in various working groups, and preparing for the

next upcoming filing on technical track issues on August 7, 2017.

Decoupling. Decoupling is a regulatory model that is intended to facilitate meeting the State of Hawaii's goals to transition to a clean energy economy and achieve an aggressive renewable portfolio standard. The decoupling model implemented in Hawaii delinks revenues from sales and includes annual rate adjustments. The decoupling mechanism has three components: (1) a sales decoupling component via a revenue balancing account (RBA), (2) a revenue escalation component via a rate adjustment mechanism (RAM) and (3) an earnings sharing mechanism, which would provide for a reduction of revenues between rate cases in the event the utility exceeds the return on average common equity (ROACE) allowed in its most recent rate case. Decoupling provides for more timely cost recovery and earning on investments.

For the RAM years 2014 - 2016, Hawaiian Electric was allowed to record RAM revenue beginning on January 1 and to bill such amounts from June 1 of the applicable year through May 31 of the following year (current accrual method). Subsequent to 2016, Hawaiian Electric reverted to the RAM provisions initially approved in March 2011—i.e., RAM is both accrued and billed from June 1 of each year through May 31 of the following year.

2015 decoupling order. On March 31, 2015, the PUC issued an Order (the 2015 Decoupling Order) that modified the RAM portion of the decoupling mechanism to be capped at the lesser of the RAM revenue adjustment as then determined (based on an inflationary adjustment for certain O&M expenses and return on investment for certain rate base changes) and a RAM revenue adjustment calculated based on the cumulative annual compounded increase in Gross Domestic Product Price Index applied to annualized target revenues (the RAM Cap). The 2015 Decoupling Order provided a specific basis for calculating the target revenues until the next rate case, at which time the target revenues will reset. The triennial rate case cycle required under the decoupling mechanism continues to serve as the maximum period between the filing of general rate cases.

The RAM Cap impacted the Utilities' recovery of capital investments as follows:

• Hawaiian Electric's RAM revenues were limited to the RAM Cap in 2015, 2016 and 2017.

• Maui Electric's RAM revenues were limited to the RAM Cap in 2015 and 2016; however, the 2017 RAM revenues were below the RAM Cap.

• Hawaii Electric Light's RAM revenues were below the RAM Cap in 2015, 2016 and 2017.

2017 decoupling order. On April 27, 2017, the PUC issued an Order (the 2017 Decoupling Order) that requires the establishment of specific performance incentive mechanisms and provides guidelines for interim recovery of revenues to support major projects placed in service between general rate cases.

On May 30, 2017, the Utilities filed their proposed initial tariffs to implement conventional stand-alone performance incentive mechanisms. The performance incentive mechanisms to be established are:

Service reliability performance standards to include: 1) System Average Interruption Duration Index based on the average customer interruption time and 2) System Average Interruption Frequency Index based on the average number of customer interruptions. Target performance for each is based on each utilities' historical 10 year average performance with a dead band of one standard deviation. The maximum penalty for each is 20 basis points applied to the common equity share of the rate base approved in the last rate case for each company. However, the maximum penalty for the initial implementation of the approved PIMs would be the 20 basis points applied to the common equity share of rate base used to determine the 2016 RAM Revenue Adjustment (or approximately \$3 million for each of the standards in total for the three utilities). The maximum penalty will be updated upon issuance of an interim or final order in a rate case for each company and will remain constant in interim periods. These performance standards have penalties only.

Call Center Performance based on utility call center percentage of calls answered within 30 seconds. Target performance is based on the annual average performance for each utility for the most recent 8 quarters with a dead band of 3% above and below the target. The maximum penalty or incentive is 8 basis points applied to the common equity share of the rate base approved in the last rate case for each company, except for the initial implementation which will be 8 basis points applied to the common equity share of rate base used to determine the 2016 RAM Revenue Adjustment (or approximately \$1.2 million penalty or incentive in total for the three utilities).

The 2017 Decoupling Order also established guidelines for MPIR. Projects eligible for recovery through the MPIR adjustment mechanism are major projects (i.e., projects with capital expenditures net of customer contributions in excess of \$2.5 million), including but not restricted to renewable energy, energy efficiency, utility scale generation,

grid modernization and smaller qualifying projects grouped into programs for review. The MPIR adjustment mechanism provides the opportunity to recover revenues for net costs of approved eligible projects placed in service between general rate cases wherein cost recovery is limited by a revenue cap and is not provided by other effective recovery mechanisms. The request for PUC approval must include a business case and all costs that are allowed to be recovered through the MPIR adjustment mechanism shall be offset by any related benefits. The guidelines provide for accrual of revenues approved for recovery upon in-service date to be collected from customers through the annual RBA tariff.

In the 2017 Decoupling Order, the PUC indicated that in pending and subsequent rate cases, the PUC intends to require all fuel expenses and purchased energy expenses be recovered through an appropriately modified energy cost adjustment mechanism rather than through base rates, and will consider adopting processes to periodically reset fuel efficiency measures embedded in the energy cost adjustment mechanism to account for changes in the generating system.

Annual decoupling filings. On March 31, 2017, the Utilities submitted to the PUC, their annual decoupling filings for tariffed rates that will be effective from June 1, 2017, through May 31, 2018. On May 22, 2017, Maui Electric amended its annual decoupling filing to update and revise certain cost information. The net annual incremental amounts proposed to be collected (refunded), as revised for Maui Electric, were as follows:

(\$ in millions)	Hawaiian Electric	Hawaii Electric Light	Maui Electric
2017 Annual incremental RAM adjusted revenues	\$ 12.7	\$ 3.2	\$ 1.6
Annual change in accrued earnings sharing credits	\$ —	\$ —	\$ —
Annual change in accrued RBA balance as of December 31, 2016 (and associated revenue taxes) (refunded)	\$ (2.4)	\$ (2.5)	\$ (0.2)
Net annual incremental amount to be collected under the tariffs	\$ 10.3	\$ 0.7	\$ 1.4
Impact on typical residential customer monthly bill (in dollars) *	\$ 0.60	\$ 0.15	\$ 0.79

* Based on a 500 kilowatthour (KWH) bill for Hawaiian Electric, Maui Electric, and Hawaii Electric Light. The bill impact for Lanai and Molokai customers is expected to be an increase of \$0.63, based on a 400 KWH bill.

On May 31, 2017, the PUC approved the annual decoupling filings for Hawaiian Electric and Hawaii Electric Light, and as amended on May 22, 2017, for Maui Electric, which went into effect on June 1, 2017.

Hawaiian Electric consolidated 2014 test year abbreviated and 2017 test year rate cases. On December 23, 2016, the PUC issued an order consolidating the Hawaiian Electric filings for the 2014 test year abbreviated rate case and the 2017 test year rate case. The order also found and concluded that Hawaiian Electric's abbreviated 2014 rate case filing did not comply with: (1) the Mandatory Triennial Rate Case Cycle requirement in the decoupling order that Hawaiian Electric file an application for a general rate case every three years and (2) the requirement that Hawaiian Electric file its 2014 calendar test year rate case application by June 27, 2014. The order then stated that: "[T]he determination and disposition of any rates, accounts, adjustment mechanisms, and practices that would have been subject to review in the context of a 2014 test year rate case proceeding are subject to appropriate adjustment based on evidence and findings in the consolidated rate case proceeding."

On January 4, 2017, Hawaiian Electric filed a motion for clarification and/or partial reconsideration of the PUC's order. On March 14, 2017, the PUC issued an order to address Hawaiian Electric's motion, stating that the PUC is not initiating an investigation/enforcement proceeding against Hawaiian Electric regarding its compliance with the decoupling order, and the transfer and consolidation of Hawaiian Electric's 2014 abbreviated rate case with the 2017 rate case is intended to ensure that ratepayers receive the attendant benefits of Hawaiian Electric's decision to voluntarily forgo a general rate increase in base rates for its mandated 2014 test year. As directed, on April 12, 2017, Hawaiian Electric filed a supplement to its 2017 rate case filing, addressing the items raised in the order and explaining why Hawaiian Electric's forgoing of a general rate increase in the 2014 test year should not result in any further adjustments to Hawaiian Electric's revenue requirement in the 2017 test year.

On April 26, 2017, the PUC issued an Order regarding the supplement to Hawaiian Electric's 2017 rate case filing, requesting updated pension and OPEB regulatory asset and liability schedules, by May 12, 2017, to reflect the use of the 2014 net periodic pension cost (NPPC) and net periodic benefits costs (NPBC) for the pension and OPEB tracking mechanisms and with amortization of such regulatory assets and liabilities beginning May 1, 2015. On May 12, 2017, Hawaiian Electric filed these schedules and on May 31, 2017, supplemented its May 12, 2017 filing to show the cumulative impact of the 2015-2017 change in employee benefits transferred to capital as a result of the change in the amortization of the pension and OPEB regulatory assets and liabilities.

On June 28, 2017, the PUC issued an order designating the filing date of Hawaiian Electric's completed rate case application to be May 31, 2017, rather than December 16, 2016, the date of the filing of Hawaiian Electric's rate case

application. The revised date of the completed application coincided with the date that Hawaiian Electric filed supplemental pension-related information described above. On July 28, 2017, the PUC issued a procedural schedule with an interim D&O tentatively scheduled for December 15, 2017, and an evidentiary hearing in early March 2018. Condensed consolidating financial information. Hawaiian Electric is not required to provide separate financial statements or other disclosures concerning Hawaii Electric Light and Maui Electric to holders of the 2004 Debentures issued by Hawaii Electric Light and Maui Electric to Trust III since all of their voting capital stock is owned, and their obligations with respect to these

securities have been fully and unconditionally guaranteed, on a subordinated basis, by Hawaiian Electric. Consolidating information is provided below for Hawaiian Electric and each of its subsidiaries for the periods ended and as of the dates indicated.

Hawaiian Electric also unconditionally guarantees Hawaii Electric Light's and Maui Electric's obligations (a) to the State of Hawaii for the repayment of principal and interest on Special Purpose Revenue Bonds issued for the benefit of Hawaii Electric Light and Maui Electric, (b) under their respective private placement note agreements and the Hawaii Electric Light notes and Maui Electric notes issued thereunder and (c) relating to the trust preferred securities of Trust III. Hawaiian Electric is also obligated, after the satisfaction of its obligations on its own preferred stock, to make dividend, redemption and liquidation payments on Hawaii Electric Light's and Maui Electric's preferred stock if the respective subsidiary is unable to make such payments.

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Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Income (unaudited)
Three months ended June 30, 2017

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Revenues	\$394,414	81,710	80,765	—	(14)	\$ 556,875
Expenses						
Fuel oil	99,814	14,475	26,970	—	—	141,259
Purchased power	116,458	23,482	13,127	—	—	153,067
Other operation and maintenance	70,961	17,558	17,855	—	—	106,374
Depreciation	32,723	9,686	5,747	—	—	48,156
Taxes, other than income taxes	37,619	7,702	7,651	—	—	52,972
Total expenses	357,575	72,903	71,350	—	—	501,828
Operating income	36,839	8,807	9,415	—	(14)	55,047
Allowance for equity funds used during construction	2,659	134	234	—	—	3,027
Equity in earnings of subsidiaries	7,936	—	—	—	(7,936)	—
Interest expense and other charges, net	(12,562)	(2,996)	(2,670)	—	14	(18,214)
Allowance for borrowed funds used during construction	988	55	100	—	—	1,143
Income before income taxes	35,860	6,000	7,079	—	(7,936)	41,003
Income taxes	9,946	2,235	2,679	—	—	14,860
Net income	25,914	3,765	4,400	—	(7,936)	26,143
Preferred stock dividends of subsidiaries	—	133	96	—	—	229
Net income attributable to Hawaiian Electric	25,914	3,632	4,304	—	(7,936)	25,914
Preferred stock dividends of Hawaiian Electric	270	—	—	—	—	270
Net income for common stock	\$25,644	3,632	4,304	—	(7,936)	\$ 25,644

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Comprehensive Income (unaudited)
Three months ended June 30, 2017

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Net income for common stock	\$25,644	3,632	4,304	—	(7,936)	\$ 25,644
Other comprehensive income (loss), net of taxes:						
Derivatives qualified as cash flow hedges:						
Reclassification adjustment to net income, net of tax benefits	—	—	—	—	—	—
Retirement benefit plans:						
Adjustment for amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits	3,621	449	344	—	(793)	3,621
Reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(3,581)	(448)	(343)	—	791	(3,581)
Other comprehensive income (loss), net of taxes	40	1	1	—	(2)	40
Comprehensive income attributable to common shareholder	\$25,684	3,633	4,305	—	(7,938)	\$ 25,684

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Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Income (unaudited)
Three months ended June 30, 2016

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Revenues	\$347,010	73,652	74,758	—	(25)	\$ 495,395
Expenses						
Fuel oil	62,234	11,748	17,917	—	—	91,899
Purchased power	103,062	19,360	16,636	—	—	139,058
Other operation and maintenance	68,197	15,116	16,250	—	—	99,563
Depreciation	31,522	9,449	5,789	—	—	46,760
Taxes, other than income taxes	33,414	6,905	7,110	—	—	47,429
Total expenses	298,429	62,578	63,702	—	—	424,709
Operating income	48,581	11,074	11,056	—	(25)	70,686
Allowance for equity funds used during construction	1,559	206	232	—	—	1,997
Equity in earnings of subsidiaries	10,883	—	—	—	(10,883)	—
Interest expense and other charges, net	(10,345)	(2,669)	(2,114)	—	25	(15,103)
Allowance for borrowed funds used during construction	587	79	94	—	—	760
Income before income taxes	51,265	8,690	9,268	—	(10,883)	58,340
Income taxes	15,138	3,337	3,509	—	—	21,984
Net income	36,127	5,353	5,759	—	(10,883)	36,356
Preferred stock dividends of subsidiaries	—	133	96	—	—	229
Net income attributable to Hawaiian Electric	36,127	5,220	5,663	—	(10,883)	36,127
Preferred stock dividends of Hawaiian Electric	270	—	—	—	—	270
Net income for common stock	\$35,857	5,220	5,663	—	(10,883)	\$ 35,857

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Comprehensive Income (unaudited)
Three months ended June 30, 2016

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Net income for common stock	\$35,857	5,220	5,663	—	(10,883)	\$ 35,857
Other comprehensive income (loss), net of taxes:						
Derivatives qualified as cash flow hedges:						
Effective portion of foreign currency hedge net unrealized loss, net of tax benefits	(745)	—	—	—	—	(745)
Retirement benefit plans:						
Adjustment for amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits	3,391	401	357	—	(758)	3,391
Reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(3,401)	(402)	(359)	—	761	(3,401)
Other comprehensive income (loss), net of taxes	(755)	(1)	(2)	—	3	(755)
	\$35,102	5,219	5,661	—	(10,880)	\$ 35,102

Comprehensive income attributable to common
shareholder

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Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Income (unaudited)
Six months ended June 30, 2017

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Revenues	\$757,257	160,692	157,558	—	(21)	\$1,075,486
Expenses						
Fuel oil	197,815	31,732	55,982	—	—	285,529
Purchased power	216,605	42,071	21,515	—	—	280,191
Other operation and maintenance	138,239	33,074	35,301	—	—	206,614
Depreciation	65,445	19,371	11,556	—	—	96,372
Taxes, other than income taxes	72,659	15,152	14,984	—	—	102,795
Total expenses	690,763	141,400	139,338	—	—	971,501
Operating income	66,494	19,292	18,220	—	(21)	103,985
Allowance for equity funds used during construction	4,715	249	462	—	—	5,426
Equity in earnings of subsidiaries	16,539	—	—	—	(16,539)	—
Interest expense and other charges, net	(24,619)	(6,000)	(5,120)	—	21	(35,718)
Allowance for borrowed funds used during construction	1,737	100	195	—	—	2,032
Income before income taxes	64,866	13,641	13,757	—	(16,539)	75,725
Income taxes	17,217	5,158	5,243	—	—	27,618
Net income	47,649	8,483	8,514	—	(16,539)	48,107
Preferred stock dividends of subsidiaries	—	267	191	—	—	458
Net income attributable to Hawaiian Electric	47,649	8,216	8,323	—	(16,539)	47,649
Preferred stock dividends of Hawaiian Electric	540	—	—	—	—	540
Net income for common stock	\$47,109	8,216	8,323	—	(16,539)	\$47,109

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Comprehensive Income (unaudited)
Six months ended June 30, 2017

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Net income for common stock	\$47,109	8,216	8,323	—	(16,539)	\$47,109
Other comprehensive income (loss), net of taxes:						
Derivatives qualifying as cash flow hedges:						
Reclassification adjustment to net income, net of tax benefits	454	—	—	—	—	454
Retirement benefit plans:						
Adjustment for amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits	7,239	952	810	—	(1,762)	7,239
Reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(7,194)	(951)	(810)	—	1,761	(7,194)
Other comprehensive income (loss), net of taxes	499	1	—	—	(1)	499
Comprehensive income attributable to common shareholder	\$47,608	8,217	8,323	—	(16,540)	\$47,608

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Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Income (unaudited)
Six months ended June 30, 2016

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Revenues	\$684,185	146,835	146,464	—	(37)	\$ 977,447
Expenses						
Fuel oil	136,319	26,122	43,198	—	—	205,639
Purchased power	194,979	36,157	23,781	—	—	254,917
Other operation and maintenance	137,755	31,557	34,159	—	—	203,471
Depreciation	63,044	18,898	11,599	—	—	93,541
Taxes, other than income taxes	66,098	13,796	13,973	—	—	93,867
Total expenses	598,195	126,530	126,710	—	—	851,435
Operating income	85,990	20,305	19,754	—	(37)	126,012
Allowance for equity funds used during construction	2,965	333	438	—	—	3,736
Equity in earnings of subsidiaries	18,812	—	—	—	(18,812)	—
Interest expense and other charges, net	(22,210)	(5,634)	(4,604)	—	37	(32,411)
Allowance for borrowed funds used during construction	1,116	128	178	—	—	1,422
Income before income taxes	86,673	15,132	15,766	—	(18,812)	98,759
Income taxes	24,909	5,683	5,945	—	—	36,537
Net income	61,764	9,449	9,821	—	(18,812)	62,222
Preferred stock dividends of subsidiaries	—	267	191	—	—	458
Net income attributable to Hawaiian Electric	61,764	9,182	9,630	—	(18,812)	61,764
Preferred stock dividends of Hawaiian Electric	540	—	—	—	—	540
Net income for common stock	\$61,224	9,182	9,630	—	(18,812)	\$ 61,224

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Comprehensive Income (unaudited)
Six months ended June 30, 2016

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Net income for common stock	\$61,224	9,182	9,630	—	(18,812)	\$ 61,224
Other comprehensive income, net of taxes:						
Derivatives qualifying as cash flow hedges:						
Effective portion of foreign currency hedge net unrealized gain, net of taxes	257	—	—	—	—	257
Retirement benefit plans:						
Adjustment for amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits	6,627	859	775	—	(1,634)	6,627
Reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(6,623)	(860)	(777)	—	1,637	(6,623)
Other comprehensive income, net of taxes	261	(1)	(2)	—	3	261
Comprehensive income attributable to common shareholder	\$61,485	9,181	9,628	—	(18,809)	\$ 61,485

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Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Balance Sheet (unaudited)
June 30, 2017

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consoli- dating adjustments	Hawaiian Electric Consolidated
Assets						
Property, plant and equipment						
Utility property, plant and equipment						
Land	\$43,971	6,191	3,016	—	—	\$53,178
Plant and equipment	4,318,460	1,267,529	1,125,429	—	—	6,711,418
Less accumulated depreciation	(1,423,042)	(518,266)	(488,789)	—	—	(2,430,097)
Construction in progress	232,965	16,734	22,739	—	—	272,438
Utility property, plant and equipment, net	3,172,354	772,188	662,395	—	—	4,606,937
Nonutility property, plant and equipment, less accumulated depreciation	5,763	115	1,532	—	—	7,410
Total property, plant and equipment, net	3,178,117	772,303	663,927	—	—	4,614,347
Investment in wholly owned subsidiaries, at equity	553,764	—	—	—	(553,764)	—
Current assets						
Cash and cash equivalents	29,988	7,104	5,389	101	—	42,582
Advances to affiliates	—	4,100	1,000	—	(5,100)	—
Customer accounts receivable, net	88,614	18,847	18,700	—	—	126,161
Accrued unbilled revenues, net	74,640	14,166	14,790	—	—	103,596
Other accounts receivable, net	9,707	2,471	1,042	—	(9,536)	3,684
Fuel oil stock, at average cost	51,489	8,135	12,768	—	—	72,392
Materials and supplies, at average cost	30,716	8,852	17,531	—	—	57,099
Prepayments and other	25,695	7,294	3,602	—	(251)	36,340
Regulatory assets	65,891	3,981	4,295	—	—	74,167
Total current assets	376,740	74,950	79,117	101	(14,887)	516,021
Other long-term assets						
Regulatory assets	638,480	119,108	106,522	—	—	864,110
Unamortized debt expense	497	84	109	—	—	690
Other	48,164	13,778	14,045	—	—	75,987
Total other long-term assets	687,141	132,970	120,676	—	—	940,787
Total assets	\$4,795,762	980,223	863,720	101	(568,651)	\$6,071,155
Capitalization and liabilities						
Capitalization						
Common stock equity	\$1,803,506	291,760	261,903	101	(553,764)	\$1,803,506
Cumulative preferred stock—not subject to mandatory redemption	22,293	7,000	5,000	—	—	34,293
Long-term debt, net	915,208	213,677	189,960	—	—	1,318,845
Total capitalization	2,741,007	512,437	456,863	101	(553,764)	3,156,644
Current liabilities						
Short-term borrowings from non-affiliates	43,990	—	—	—	—	43,990
Short-term borrowings from affiliate	5,100	—	—	—	(5,100)	—
Accounts payable	123,986	19,796	18,593	—	—	162,375
Interest and preferred dividends payable	13,584	3,806	2,113	—	(6)	19,497
Taxes accrued	98,156	23,394	20,964	—	(251)	142,263

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Regulatory liabilities	126	713	2,044	—	—	2,883
Other	38,964	8,920	14,786	—	(9,530)	53,140
Total current liabilities	323,906	56,629	58,500	—	(14,887)	424,148
Deferred credits and other liabilities						
Deferred income taxes	542,109	111,616	106,023	—	224	759,972
Regulatory liabilities	297,006	98,844	32,897	—	—	428,747
Unamortized tax credits	59,537	16,246	15,603	—	—	91,386
Defined benefit pension and other postretirement benefit plans liability	435,614	73,246	78,858	—	—	587,718
Other	49,798	13,803	15,959	—	(224)	79,336
Total deferred credits and other liabilities	1,384,064	313,755	249,340	—	—	1,947,159
Contributions in aid of construction	346,785	97,402	99,017	—	—	543,204
Total capitalization and liabilities	\$4,795,762	980,223	863,720	101	(568,651)	\$6,071,155

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Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Balance Sheet (unaudited)
December 31, 2016

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consoli- dating adjustments	Hawaiian Electric Consolidated
Assets						
Property, plant and equipment						
Utility property, plant and equipment						
Land	\$43,956	6,181	3,016	—	—	\$53,153
Plant and equipment	4,241,060	1,255,185	1,109,487	—	—	6,605,732
Less accumulated depreciation	(1,382,972)	(507,666)	(478,644)	—	—	(2,369,282)
Construction in progress	180,194	12,510	19,038	—	—	211,742
Utility property, plant and equipment, net	3,082,238	766,210	652,897	—	—	4,501,345
Nonutility property, plant and equipment, less accumulated depreciation	5,760	115	1,532	—	—	7,407
Total property, plant and equipment, net	3,087,998	766,325	654,429	—	—	4,508,752
Investment in wholly owned subsidiaries, at equity	550,946	—	—	—	(550,946)	—
Current assets						
Cash and cash equivalents	61,388	10,749	2,048	101	—	74,286
Advances to affiliates	—	3,500	10,000	—	(13,500)	—
Customer accounts receivable, net	86,373	20,055	17,260	—	—	123,688
Accrued unbilled revenues, net	65,821	13,564	12,308	—	—	91,693
Other accounts receivable, net	7,652	2,445	1,416	—	(6,280)	5,233
Fuel oil stock, at average cost	47,239	8,229	10,962	—	—	66,430
Materials and supplies, at average cost	29,928	7,380	16,371	—	—	53,679
Prepayments and other	16,502	5,352	2,179	—	(933)	23,100
Regulatory assets	60,185	3,483	2,364	—	—	66,032
Total current assets	375,088	74,757	74,908	101	(20,713)	504,141
Other long-term assets						
Regulatory assets	662,232	120,863	108,324	—	—	891,419
Unamortized debt expense	151	23	34	—	—	208
Other	43,743	13,573	13,592	—	—	70,908
Total other long-term assets	706,126	134,459	121,950	—	—	962,535
Total assets	\$4,720,158	975,541	851,287	101	(571,659)	\$5,975,428
Capitalization and liabilities						
Capitalization						
Common stock equity	\$1,799,787	291,291	259,554	101	(550,946)	\$1,799,787
Cumulative preferred stock—not subject to mandatory redemption	22,293	7,000	5,000	—	—	34,293
Long-term debt, net	915,437	213,703	190,120	—	—	1,319,260
Total capitalization	2,737,517	511,994	454,674	101	(550,946)	3,153,340
Current liabilities						
Short-term borrowings from affiliate	13,500	—	—	—	(13,500)	—
Accounts payable	86,369	18,126	13,319	—	—	117,814
Interest and preferred dividends payable	15,761	4,206	2,882	—	(11)	22,838
Taxes accrued	120,176	28,100	25,387	—	(933)	172,730
Regulatory liabilities	—	2,219	1,543	—	—	3,762

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Other	41,352	7,637	12,501	—	(6,269) 55,221
Total current liabilities	277,158	60,288	55,632	—	(20,713) 372,365
Deferred credits and other liabilities						
Deferred income taxes	524,433	108,052	100,911	—	263	733,659
Regulatory liabilities	281,112	93,974	31,845	—	—	406,931
Unamortized tax credits	57,844	15,994	15,123	—	—	88,961
Defined benefit pension and other postretirement benefit plans liability	444,458	75,005	80,263	—	—	599,726
Other	49,191	13,024	14,969	—	(263	) 76,921
Total deferred credits and other liabilities	1,357,038	306,049	243,111	—	—	1,906,198
Contributions in aid of construction	348,445	97,210	97,870	—	—	543,525
Total capitalization and liabilities	\$4,720,158	975,541	851,287	101	(571,659) \$5,975,428

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Hawaiian Electric Company, Inc. and Subsidiaries

Condensed Consolidating Statement of Changes in Common Stock Equity (unaudited)

Six months ended June 30, 2017

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Balance, December 31, 2016	\$ 1,799,787	291,291	259,554	101	(550,946)	\$ 1,799,787
Net income for common stock	47,109	8,216	8,323	—	(16,539)	47,109
Other comprehensive income, net of taxes	499	1	—	—	(1)	499
Common stock dividends	(43,884)	(7,748)	(5,973)	—	13,721	(43,884)
Common stock issuance expenses	(5)	—	(1)	—	1	(5)
Balance, June 30, 2017	\$ 1,803,506	291,760	261,903	101	(553,764)	\$ 1,803,506

Hawaiian Electric Company, Inc. and Subsidiaries

Condensed Consolidating Statement of Changes in Common Stock Equity (unaudited)

Six months ended June 30, 2016

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Balance, December 31, 2015	\$ 1,728,325	292,702	263,725	101	(556,528)	\$ 1,728,325
Net income for common stock	61,224	9,182	9,630	—	(18,812)	61,224
Other comprehensive income (loss), net of taxes	261	(1)	(2)	—	3	261
Common stock dividends	(46,800)	(6,604)	(6,530)	—	13,134	(46,800)
Common stock issuance expenses	(4)	(4)	—	—	4	(4)
Balance, June 30, 2016	\$ 1,743,006	295,275	266,823	101	(562,199)	\$ 1,743,006

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Hawaiian Electric Company, Inc. and Subsidiaries
 Condensed Consolidating Statement of Cash Flows (unaudited)
 Six months ended June 30, 2017

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Cash flows from operating activities						
Net income	\$47,649	8,483	8,514	—	(16,539)	\$ 48,107
Adjustments to reconcile net income to net cash provided by operating activities:						
Equity in earnings of subsidiaries	(16,589)	—	—	—	16,539	(50)
Common stock dividends received from subsidiaries	13,771	—	—	—	(13,721)	50
Depreciation of property, plant and equipment	65,445	19,371	11,556	—	—	96,372
Other amortization	1,875	905	1,482	—	—	4,262
Deferred income taxes	15,060	3,590	4,988	—	(39)	23,599
Allowance for equity funds used during construction	(4,715)	(249)	(462)	—	—	(5,426)
Other	1,089	699	(173)	—	—	1,615
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable	(5,100)	1,182	(1,067)	—	3,256	(1,729)
Increase in accrued unbilled revenues	(8,819)	(602)	(2,482)	—	—	(11,903)
Decrease (increase) in fuel oil stock	(4,250)	94	(1,806)	—	—	(5,962)
Increase in materials and supplies	(788)	(1,472)	(1,160)	—	—	(3,420)
Decrease (increase) in regulatory assets	11,378	(1,575)	(1,624)	—	—	8,179
Increase in accounts payable	39,954	3,291	8,392	—	—	51,637
Change in prepaid and accrued income taxes, tax credits and revenue taxes	(29,430)	(6,290)	(4,725)	—	(465)	(40,910)
Increase (decrease) in defined benefit pension and other postretirement benefit plans liability	355	26	(79)	—	—	302
Change in other assets and liabilities	(12,727)	129	1,807	—	(3,256)	(14,047)
Net cash provided by operating activities	114,158	27,582	23,161	—	(14,225)	150,676
Cash flows from investing activities						
Capital expenditures	(153,554)	(24,744)	(23,782)	—	—	(202,080)
Contributions in aid of construction	14,078	1,870	1,623	—	—	17,571
Other	4,820	619	307	—	504	6,250
Advances from affiliates	—	(600)	9,000	—	(8,400)	—
Net cash used in investing activities	(134,656)	(22,855)	(12,852)	—	(7,896)	(178,259)
Cash flows from financing activities						
Common stock dividends	(43,884)	(7,748)	(5,973)	—	13,721	(43,884)
Preferred stock dividends of Hawaiian Electric and subsidiaries	(540)	(267)	(191)	—	—	(998)
Proceeds from issuance of special purpose revenue bonds	162,000	28,000	75,000	—	—	265,000
Funds transferred for redemption of special purpose revenue bonds	(162,000)	(28,000)	(75,000)	—	—	(265,000)
Net increase in short-term borrowings from non-affiliates and affiliate with original maturities of three months or less	35,590	—	—	—	8,400	43,990

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Other	(2,068)	(357)	(804)	—	—	(3,229)
Net cash used in financing activities	(10,902)	(8,372)	(6,968)	—	22,121	(4,121)
Net increase (decrease) in cash and cash equivalents	(31,400)	(3,645)	3,341	—	—	(31,704)
Cash and cash equivalents, beginning of period	61,388	10,749	2,048	101	—	74,286
Cash and cash equivalents, end of period	\$29,988	7,104	5,389	101	—	\$ 42,582

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Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Cash Flows (unaudited)
Six months ended June 30, 2016

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Cash flows from operating activities						
Net income	\$61,764	9,449	9,821	—	(18,812)	\$ 62,222
Adjustments to reconcile net income to net cash provided by operating activities:						
Equity in earnings of subsidiaries	(18,862)	—	—	—	18,812	(50)
Common stock dividends received from subsidiaries	13,184	—	—	—	(13,134)	50
Depreciation of property, plant and equipment	63,044	18,898	11,599	—	—	93,541
Other amortization	1,919	911	963	—	—	3,793
Deferred income taxes	23,954	2,538	5,623	—	3	32,118
Allowance for equity funds used during construction	(2,965)	(333)	(438)	—	—	(3,736)
Other	1,383	1,611	(12)	—	—	2,982
Changes in assets and liabilities:						
Decrease in accounts receivable	14,177	2,007	729	—	(231)	16,682
Decrease (increase) in accrued unbilled revenues	(2,941)	634	(908)	—	—	(3,215)
Decrease in fuel oil stock	6,015	924	2,705	—	—	9,644
Increase in materials and supplies	(1,748)	(708)	(26)	—	—	(2,482)
Decrease (increase) in regulatory assets	(3,974)	2,138	1,159	—	—	(677)
Increase in accounts payable	17,150	208	6,069	—	—	23,427
Change in prepaid and accrued income taxes, tax credits and revenue taxes	(21,371)	(192)	(6,626)	—	(3)	(28,192)
Increase (decrease) in defined benefit pension and other postretirement benefit plans liability	299	27	(89)	—	—	237
Change in other assets and liabilities	(11,803)	11	(659)	—	231	(12,220)
Net cash provided by operating activities	139,225	38,123	29,910	—	(13,134)	194,124
Cash flows from investing activities						
Capital expenditures	(152,283)	(27,436)	(17,613)	—	—	(197,332)
Contributions in aid of construction	12,824	1,605	2,381	—	—	16,810
Other	132	169	30	—	—	331
Advances from affiliates	—	(3,000)	(11,000)	—	14,000	—
Net cash used in investing activities	(139,327)	(28,662)	(26,202)	—	14,000	(180,191)
Cash flows from financing activities						
Common stock dividends	(46,800)	(6,604)	(6,530)	—	13,134	(46,800)
Preferred stock dividends of Hawaiian Electric and subsidiaries	(540)	(267)	(191)	—	—	(998)
Net increase in short-term borrowings from non-affiliates and affiliate with original maturities of three months or less	50,995	—	—	—	(14,000)	36,995
Other	8	(8)	—	—	—	—
Net cash provided by (used in) financing activities	3,663	(6,879)	(6,721)	—	(866)	(10,803)
Net increase (decrease) in cash and cash equivalents	3,561	2,582	(3,013)	—	—	3,130

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Cash and cash equivalents, beginning of period	16,281	2,682	5,385	101	—	24,449
Cash and cash equivalents, end of period	\$19,842	5,264	2,372	101	—	\$ 27,579

4 · Bank segment

Selected financial information

American Savings Bank, F.S.B.

Statements of Income Data (unaudited)

(in thousands)	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Interest and dividend income				
Interest and fees on loans	\$52,317	\$49,690	\$103,059	\$98,127
Interest and dividends on investment securities	6,763	4,443	13,743	9,460
Total interest and dividend income	59,080	54,133	116,802	107,587
Interest expense				
Interest on deposit liabilities	2,311	1,691	4,414	3,283
Interest on other borrowings	824	1,467	1,640	2,952
Total interest expense	3,135	3,158	6,054	6,235
Net interest income	55,945	50,975	110,748	101,352
Provision for loan losses	2,834	4,753	6,741	9,519
Net interest income after provision for loan losses	53,111	46,222	104,007	91,833
Noninterest income				
Fees from other financial services	5,810	5,701	11,420	11,200
Fee income on deposit liabilities	5,565	5,262	10,993	10,418
Fee income on other financial products	1,971	2,207	3,837	4,412
Bank-owned life insurance	1,925	1,006	2,908	2,004
Mortgage banking income	587	1,554	1,376	2,749
Gains on sale of investment securities, net	—	598	—	598
Other income, net	391	288	849	621
Total noninterest income	16,249	16,616	31,383	32,002
Noninterest expense				
Compensation and employee benefits	24,742	21,919	47,979	44,353
Occupancy	4,185	4,115	8,339	8,253
Data processing	3,207	3,277	6,487	6,449
Services	2,766	2,755	5,126	5,666
Equipment	1,771	1,771	3,519	3,434
Office supplies, printing and postage	1,527	1,583	3,062	2,948
Marketing	839	899	1,356	1,760
FDIC insurance	822	913	1,550	1,797
Other expense	4,705	5,382	9,016	9,357
Total noninterest expense	44,564	42,614	86,434	84,017
Income before income taxes	24,796	20,224	48,956	39,818
Income taxes	8,063	6,939	16,410	13,860
Net income	\$16,733	\$13,285	\$32,546	\$25,958

American Savings Bank, F.S.B.

Statements of Comprehensive Income Data (unaudited)

(in thousands)	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Net income	\$16,733	\$13,285	\$32,546	\$25,958
Other comprehensive income, net of taxes:				
Net unrealized gains on available-for-sale investment securities:				
Net unrealized gains on available-for-sale investment securities arising during the period, net of taxes of \$1,334, \$1,925, \$1,482 and \$6,830, respectively	2,021	2,915	2,244	10,344
Reclassification adjustment for net realized gains included in net income, net of taxes of nil, \$238, nil and \$238, respectively	—	(360)	—	(360)
Retirement benefit plans:				
Adjustment for amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits of \$133, \$140, \$537 and \$277, respectively	202	211	814	419
Other comprehensive income, net of taxes	2,223	2,766	3,058	10,403
Comprehensive income	\$18,956	\$16,051	\$35,604	\$36,361

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American Savings Bank, F.S.B. Balance Sheets Data (unaudited) (in thousands)	June 30, 2017	December 31, 2016
Assets		
Cash and due from banks	\$ 128,609	\$ 137,083
Interest-bearing deposits	37,049	52,128
Restricted cash	—	1,764
Available-for-sale investment securities, at fair value	1,302,886	1,105,182
Stock in Federal Home Loan Bank, at cost	11,706	11,218
Loans receivable held for investment	4,744,634	4,738,693
Allowance for loan losses	(56,356)	(55,533)
Net loans	4,688,278	4,683,160
Loans held for sale, at lower of cost or fair value	5,261	18,817
Other	354,898	329,815
Goodwill	82,190	82,190
Total assets	\$6,610,877	\$6,421,357
Liabilities and shareholder's equity		
Deposit liabilities—noninterest-bearing	\$ 1,694,150	\$ 1,639,051
Deposit liabilities—interest-bearing	4,030,236	3,909,878
Other borrowings	188,130	192,618
Other	101,974	101,635
Total liabilities	6,014,490	5,843,182
Commitments and contingencies		
Common stock	1	1
Additional paid in capital	344,062	342,704
Retained earnings	271,739	257,943
Accumulated other comprehensive loss, net of tax benefits		
Net unrealized losses on securities	\$(5,687)	\$(7,931)
Retirement benefit plans	(13,728) (19,415)	(14,542) (22,473)
Total shareholder's equity	596,387	578,175
Total liabilities and shareholder's equity	\$6,610,877	\$6,421,357
Other assets		
Bank-owned life insurance	\$ 146,122	\$ 143,197
Premises and equipment, net	108,158	90,570
Prepaid expenses	4,632	3,348
Accrued interest receivable	16,949	16,824
Mortgage-servicing rights	9,181	9,373
Low-income housing equity investments	48,596	47,081
Real estate acquired in settlement of loans, net	1,554	1,189
Other	19,706	18,233
	\$ 354,898	\$ 329,815
Other liabilities		
Accrued expenses	\$ 34,451	\$ 36,754
Federal and state income taxes payable	6,336	4,728
Cashier's checks	24,191	24,156
Advance payments by borrowers	10,334	10,335
Other	26,662	25,662

\$101,974

\$101,635

Bank-owned life insurance is life insurance purchased by ASB on the lives of certain key employees, with ASB as the beneficiary. The insurance is used to fund employee benefits through tax-free income from increases in the cash value of the policies and insurance proceeds paid to ASB upon an insured's death.

Other borrowings consisted of securities sold under agreements to repurchase and advances from the Federal Home Loan Bank (FHLB) of \$88 million and \$100 million, respectively, as of June 30, 2017 and \$93 million and \$100 million, respectively, as of December 31, 2016.

Available-for-sale investment securities. The major components of investment securities were as follows:

(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Gross unrealized losses					
					Less than 12 months	12 months or longer	Number of issues	Fair value	Amount	Number of issues	Fair value	Amount
June 30, 2017										
Available-for-sale U.S. Treasury and federal agency obligations	\$ 187,289	\$ 947	\$(1,653)	\$ 186,583	16	\$ 104,417	\$(1,532)	1	\$ 3,186	\$(121)
Mortgage-related securities- FNMA, FHLMC and GNMA	1,109,613	2,202	(10,939)	1,100,876	98	759,643	(9,658)	13	43,296	(1,281)
Mortgage revenue bond	15,427	—	—	15,427	—	—	—	—	—	—
	\$ 1,312,329	\$ 3,149	\$(12,592)	\$ 1,302,886	114	\$ 864,060	\$(11,190)	14	\$ 46,482	\$(1,402)
December 31, 2016										
Available-for-sale U.S. Treasury and federal agency obligations	\$ 193,515	\$ 920	\$(2,154)	\$ 192,281	18	\$ 123,475	\$(2,010)	1	\$ 3,485	\$(144)
Mortgage-related securities- FNMA, FHLMC and GNMA	909,408	1,742	(13,676)	897,474	88	709,655	(12,143)	13	47,485	(1,533)
Mortgage revenue bond	15,427	—	—	15,427	—	—	—	—	—	—
	\$ 1,118,350	\$ 2,662	\$(15,830)	\$ 1,105,182	106	\$ 833,130	\$(14,153)	14	\$ 50,970	\$(1,677)

ASB does not believe that the investment securities that were in an unrealized loss position at June 30, 2017, represent an other-than-temporary impairment (OTTI). Total gross unrealized losses were primarily attributable to rising interest rates relative to when the investment securities were purchased and not due to the credit quality of the investment securities. The contractual cash flows of the U.S. Treasury, federal agency obligations and mortgage-related securities are backed by the full faith and credit guaranty of the United States government or an agency of the government. ASB does not intend to sell the securities before the recovery of its amortized cost basis and there have been no adverse changes in the timing of the contractual cash flows for the securities. ASB did not recognize OTTI for the quarters and six month periods ended June 30, 2017 and 2016.

U.S. Treasury, federal agency obligations, and the mortgage revenue bond have contractual terms to maturity. Mortgage-related securities have contractual terms to maturity, but require periodic payments to reduce principal. In addition, expected maturities will differ from contractual maturities because borrowers have the right to prepay the underlying mortgages.

The contractual maturities of available-for-sale investment securities were as follows:

June 30, 2017	Amortized cost	Fair value
(in thousands)		

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Due in one year or less	\$ 9,992	\$9,993
Due after one year through five years	77,151	77,307
Due after five years through ten years	85,724	85,258
Due after ten years	29,849	29,452
	202,716	202,010
Mortgage-related securities-FNMA, FHLMC and GNMA	1,109,613	1,100,876
Total available-for-sale securities	\$ 1,312,329	\$ 1,302,886

Proceeds and gross realized gains from the sale of available-for-sale investment securities were \$16.4 million and \$0.6 million, respectively, for the three and six months ended June 30, 2016. Gross realized losses recognized during the three and

six months ended June 30, 2016 were not material. No available-for-sale investment securities were sold during the three and six month periods ended June 30, 2017.

Loans receivable. The components of loans receivable were summarized as follows:

	June 30, 2017	December 31, 2016
(in thousands)		
Real estate:		
Residential 1-4 family	\$2,061,549	\$2,048,051
Commercial real estate	808,900	800,395
Home equity line of credit	883,135	863,163
Residential land	16,009	18,889
Commercial construction	116,548	126,768
Residential construction	10,759	16,080
Total real estate	3,896,900	3,873,346
Commercial	649,657	692,051
Consumer	201,199	178,222
Total loans	4,747,756	4,743,619
Less: Deferred fees and discounts	(3,122)	(4,926)
Allowance for loan losses	(56,356)	(55,533)
Total loans, net	\$4,688,278	\$4,683,160

ASB's policy is to require private mortgage insurance on all real estate loans when the loan-to-value ratio of the property exceeds 80% of the lower of the appraised value or purchase price at origination. For non-owner occupied residential properties, the loan-to-value ratio may not exceed 80% of the lower of the appraised value or purchase price at origination. ASB is subject to the risk that the insurance company cannot satisfy the bank's claim on policies.

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Allowance for loan losses. The allowance for loan losses (balances and changes) and financing receivables were as follows:

(in thousands)	Residential 1-4 family	Commercial real estate	Home equity line of credit	Residential land	Commercial construction	Residential construction	Commercial loans	Consumer loans	Unallocated	Total
Three months ended June 30, 2017										
Allowance for loan losses:										
Beginning balance	\$2,781	\$16,504	\$5,417	\$1,479	\$7,257	\$11	\$14,902	\$7,646	\$—	\$55,997
Charge-offs	—	—	—	(92)	—	—	(752)	(2,390)	—	(3,234)
Recoveries	49	—	39	15	—	—	299	357	—	759
Provision	300	2,336	71	(138)	(2,551)	(2)	103	2,715	—	2,834
Ending balance	\$3,130	\$18,840	\$5,527	\$1,264	\$4,706	\$9	\$14,552	\$8,328	\$—	\$56,356
Three months ended June 30, 2016										
Allowance for loan losses:										
Beginning balance	\$4,593	\$11,806	\$7,172	\$1,740	\$6,164	\$12	\$16,991	\$3,848	\$—	\$52,326
Charge-offs	(15)	—	—	—	—	—	(962)	(1,528)	—	(2,505)
Recoveries	35	—	16	16	—	—	425	265	—	757
Provision	(229)	1,755	648	(67)	829	—	631	1,186	—	4,753
Ending balance	\$4,384	\$13,561	\$7,836	\$1,689	\$6,993	\$12	\$17,085	\$3,771	\$—	\$55,331
Six months ended June 30, 2017										
Allowance for loan losses:										
Beginning balance	\$2,873	\$16,004	\$5,039	\$1,738	\$6,449	\$12	\$16,618	\$6,800	\$—	\$55,533
Charge-offs	(6)	—	(14)	(92)	—	—	(2,262)	(5,200)	—	(7,574)
Recoveries	58	—	130	218	—	—	596	654	—	1,656
Provision	205	2,836	372	(600)	(1,743)	(3)	(400)	6,074	—	6,741
Ending balance	\$3,130	\$18,840	\$5,527	\$1,264	\$4,706	\$9	\$14,552	\$8,328	\$—	\$56,356
June 30, 2017										
Ending balance:										
individually evaluated for impairment	\$1,332	\$73	\$275	\$480	\$—	\$—	\$939	\$30	\$—	\$3,129
Ending balance:	\$1,798	\$18,767	\$5,252	\$784	\$4,706	\$9	\$13,613	\$8,298	\$—	\$53,227

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collectively evaluated for impairment										
Financing Receivables:										
Ending balance	\$2,061,549	\$808,900	\$883,135	\$16,009	\$116,548	\$10,759	\$649,657	\$201,199	\$4,747,756	
Ending balance:										
individually evaluated for impairment	\$19,188	\$1,289	\$6,684	\$2,589	\$—	\$—	\$4,283	\$68	\$34,101	
Ending balance:										
collectively evaluated for impairment	\$2,042,361	\$807,611	\$876,451	\$13,420	\$116,548	\$10,759	\$645,374	\$201,131	\$4,713,655	
Six months ended June 30, 2016										
Allowance for loan losses:										
Beginning balance	\$4,186	\$11,342	\$7,260	\$1,671	\$4,461	\$13	\$17,208	\$3,897	\$-50,038	
Charge-offs	(60	) —	—	—	—	—	(2,305	) (3,098	) —(5,463))
Recoveries	52	—	31	119	—	—	560	475	—1,237	
Provision	206	2,219	545	(101	) 2,532	(1	) 1,622	2,497	—9,519	
Ending balance	\$4,384	\$13,561	\$7,836	\$1,689	\$6,993	\$12	\$17,085	\$3,771	\$-55,331	
December 31, 2016										
Ending balance:										
individually evaluated for impairment	\$1,352	\$80	\$215	\$789	\$—	\$—	\$1,641	\$6	\$4,083	
Ending balance:										
collectively evaluated for impairment	\$1,521	\$15,924	\$4,824	\$949	\$6,449	\$12	\$14,977	\$6,794	\$-51,450	
Financing Receivables:										
Ending balance	\$2,048,051	\$800,395	\$863,163	\$18,889	\$126,768	\$16,080	\$692,051	\$178,222	\$4,743,619	
Ending balance:										
individually evaluated for impairment	\$19,854	\$1,569	\$6,158	\$3,629	\$—	\$—	\$20,539	\$10	\$51,759	
	\$2,028,197	\$798,826	\$857,005	\$15,260	\$126,768	\$16,080	\$671,512	\$178,212	\$4,691,860	

Ending
balance:
collectively
evaluated for
impairment

Credit quality. ASB performs an internal loan review and grading on an ongoing basis. The review provides management with periodic information as to the quality of the loan portfolio and effectiveness of its lending policies and procedures. The objectives of the loan review and grading procedures are to identify, in a timely manner, existing or emerging credit trends so that appropriate steps can be initiated to manage risk and avoid or minimize future losses. Loans subject to grading include commercial, commercial real estate and commercial construction loans.

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Each loan is assigned an Asset Quality Rating (AQR) reflecting the likelihood of repayment or orderly liquidation of that loan transaction pursuant to regulatory credit classifications: Pass, Special Mention, Substandard, Doubtful and Loss. The AQR is a function of the probability of default model rating, the loss given default and possible non-model factors which impact the ultimate collectability of the loan such as character of the business owner/guarantor, interim period performance, litigation, tax liens and major changes in business and economic conditions. Pass exposures generally are well protected by the current net worth and paying capacity of the obligor or by the value of the asset or underlying collateral. Special Mention loans have potential weaknesses that, if left uncorrected, could jeopardize the liquidation of the debt. Substandard loans have well-defined weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the Bank may sustain some loss. An asset classified Doubtful has the weaknesses of those classified Substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. An asset classified Loss is considered uncollectible and has such little value that its continuance as a bankable asset is not warranted.

The credit risk profile by internally assigned grade for loans was as follows:

(in thousands)	June 30, 2017			December 31, 2016		
	Commercial real estate	Commercial construction	Commercial	Commercial real estate	Commercial construction	Commercial
Grade:						
Pass	\$660,015	\$92,069	\$602,903	\$701,657	\$102,955	\$614,139
Special mention	95,656	22,500	19,429	65,541	—	25,229
Substandard	53,229	1,979	27,325	33,197	23,813	52,683
Doubtful	—	—	—	—	—	—
Loss	—	—	—	—	—	—
Total	\$808,900	\$116,548	\$649,657	\$800,395	\$126,768	\$692,051

The credit risk profile based on payment activity for loans was as follows:

(in thousands)	30-59 days past due	60-89 days past due	Greater than 90 days	Total past due	Current	Total financing receivables	Recorded investment > 90 days and accruing
June 30, 2017							
Real estate:							
Residential 1-4 family	\$2,308	\$2,694	\$5,411	\$10,413	\$2,051,136	\$2,061,549	\$ —
Commercial real estate	—	—	—	—	808,900	808,900	—
Home equity line of credit	502	494	1,516	2,512	880,623	883,135	—
Residential land	—	—	305	305	15,704	16,009	—
Commercial construction	—	—	—	—	116,548	116,548	—
Residential construction	—	—	—	—	10,759	10,759	—
Commercial	1,486	614	1,096	3,196	646,461	649,657	—
Consumer	2,266	1,305	863	4,434	196,765	201,199	—
Total loans	\$6,562	\$5,107	\$9,191	\$20,860	\$4,726,896	\$4,747,756	\$ —
December 31, 2016							
Real estate:							
Residential 1-4 family	\$5,467	\$2,338	\$3,505	\$11,310	\$2,036,741	\$2,048,051	\$ —
Commercial real estate	2,416	—	—	2,416	797,979	800,395	—
Home equity line of credit	1,263	381	1,342	2,986	860,177	863,163	—
Residential land	—	—	255	255	18,634	18,889	—
Commercial construction	—	—	—	—	126,768	126,768	—
Residential construction	—	—	—	—	16,080	16,080	—

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Commercial	413	510	1,303	2,226	689,825	692,051	—
Consumer	1,945	1,001	963	3,909	174,313	178,222	—
Total loans	\$11,504	\$4,230	\$7,368	\$23,102	\$4,720,517	\$4,743,619	\$ —

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The credit risk profile based on nonaccrual loans, accruing loans 90 days or more past due and TDR loans was as follows:

(in thousands)	June 30, 2017	December 31, 2016
Real estate:		
Residential 1-4 family	\$ 12,270	\$ 11,154
Commercial real estate	—	223
Home equity line of credit	4,306	3,080
Residential land	915	878
Commercial construction	—	—
Residential construction	—	—
Commercial	1,972	6,708
Consumer	1,501	1,282
Total nonaccrual loans	\$ 20,964	\$ 23,325
Real estate:		
Residential 1-4 family	\$ —	\$ —
Commercial real estate	—	—
Home equity line of credit	—	—
Residential land	—	—
Commercial construction	—	—
Residential construction	—	—
Commercial	—	—
Consumer	—	—
Total accruing loans 90 days or more past due	\$ —	\$ —
Real estate:		
Residential 1-4 family	\$ 13,112	\$ 14,450
Commercial real estate	1,289	1,346
Home equity line of credit	4,548	4,934
Residential land	1,674	2,751
Commercial construction	—	—
Residential construction	—	—
Commercial	2,692	14,146
Consumer	68	10
Total troubled debt restructured loans not included above	\$ 23,383	\$ 37,637

The total carrying amount and the total unpaid principal balance of impaired loans were as follows:

(in thousands)	June 30, 2017			Three months ended June 30, 2017		Six months ended June 30, 2017	
	Recorded investment	Unpaid principal balance	Related Allowance	Average Interest recorded income investment	Interest recognized*	Average Interest recorded income investment	Interest recognized*
With no related allowance recorded							
Real estate:							
Residential 1-4 family	\$9,364	\$9,963	\$ —	\$9,304	\$ 76	\$9,429	\$ 160
Commercial real estate	—	—	—	143	11	182	11
Home equity line of credit	2,287	2,707	—	2,401	51	2,203	65
Residential land	1,249	1,788	—	1,075	8	1,016	34
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial	1,592	4,267	—	1,949	2	3,428	8
Consumer	—	—	—	1	—	—	—
	\$14,492	\$18,725	\$ —	\$14,873	\$ 148	\$16,258	\$ 278
With an allowance recorded							
Real estate:							
Residential 1-4 family	\$9,824	\$10,027	\$ 1,332	\$10,054	\$ 117	\$10,051	\$ 236
Commercial real estate	1,289	1,289	73	1,292	14	1,296	28
Home equity line of credit	4,397	4,425	275	4,372	47	4,467	96
Residential land	1,340	1,340	480	1,532	24	1,804	61
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial	2,691	2,691	939	2,562	68	4,915	469
Consumer	68	68	30	68	1	49	1
	\$19,609	\$19,840	\$ 3,129	\$19,880	\$ 271	\$22,582	\$ 891
Total							
Real estate:							
Residential 1-4 family	\$19,188	\$19,990	\$ 1,332	\$19,358	\$ 193	\$19,480	\$ 396
Commercial real estate	1,289	1,289	73	1,435	25	1,478	39
Home equity line of credit	6,684	7,132	275	6,773	98	6,670	161
Residential land	2,589	3,128	480	2,607	32	2,820	95
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial	4,283	6,958	939	4,511	70	8,343	477
Consumer	68	68	30	69	1	49	1
	\$34,101	\$38,565	\$ 3,129	\$34,753	\$ 419	\$38,840	\$ 1,169

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(in thousands)	December 31, 2016			Three months ended June 30, 2016		Six months ended June 30, 2016	
	Recorded investment	Unpaid principal balance	Related allowance	Average Interest recorded income investment	Interest recognized*	Average Interest recorded income investment	Interest recognized*
With no related allowance recorded							
Real estate:							
Residential 1-4 family	\$9,571	\$10,400	\$ —	\$10,672	\$ 152	\$10,532	\$ 203
Commercial real estate	223	228	—	1,152	—	1,163	—
Home equity line of credit	1,500	1,900	—	1,038	9	943	9
Residential land	1,218	1,803	—	1,484	15	1,537	31
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial	6,299	8,869	—	8,369	7	5,818	13
Consumer	—	—	—	—	—	—	—
	\$18,811	\$23,200	\$ —	\$22,715	\$ 183	\$19,993	\$ 256
With an allowance recorded							
Real estate:							
Residential 1-4 family	\$10,283	\$10,486	\$ 1,352	\$11,982	\$ 115	\$12,000	\$ 237
Commercial real estate	1,346	1,346	80	2,519	—	1,686	—
Home equity line of credit	4,658	4,712	215	3,299	28	3,122	55
Residential land	2,411	2,411	789	2,977	54	3,177	121
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial	14,240	14,240	1,641	16,821	180	16,896	210
Consumer	10	10	6	12	—	12	—
	\$32,948	\$33,205	\$ 4,083	\$37,610	\$ 377	\$36,893	\$ 623
Total							
Real estate:							
Residential 1-4 family	\$19,854	\$20,886	\$ 1,352	\$22,654	\$ 267	\$22,532	\$ 440
Commercial real estate	1,569	1,574	80	3,671	—	2,849	—
Home equity line of credit	6,158	6,612	215	4,337	37	4,065	64
Residential land	3,629	4,214	789	4,461	69	4,714	152
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial	20,539	23,109	1,641	25,190	187	22,714	223
Consumer	10	10	6	12	—	12	—
	\$51,759	\$56,405	\$ 4,083	\$60,325	\$ 560	\$56,886	\$ 879

* Since loan was classified as impaired.

Troubled debt restructurings. A loan modification is deemed to be a troubled debt restructuring (TDR) when ASB grants a concession it would not otherwise consider were it not for the borrower's financial difficulty. When a borrower experiencing financial difficulty fails to make a required payment on a loan or is in imminent default, ASB takes a number of steps to improve the collectibility of the loan and maximize the likelihood of full repayment. At times, ASB may modify or restructure a loan to help a distressed borrower improve its financial position to eventually be able to fully repay the loan, provided the borrower has demonstrated both the willingness and the ability to fulfill the modified terms. TDR loans are considered an alternative to foreclosure or liquidation with the goal of minimizing losses to ASB and maximizing recovery.

ASB may consider various types of concessions in granting a TDR including maturity date extensions, extended amortization of principal, temporary deferral of principal payments and temporary interest rate reductions. ASB rarely grants

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principal forgiveness in its TDR modifications. Residential loan modifications generally involve interest rate reduction, extending the amortization period, or capitalizing certain delinquent amounts owed not to exceed the original loan balance. Land loans at origination are typically structured as a three-year term, interest-only monthly payment with a balloon payment due at maturity. Land loan TDR modifications typically involve extending the maturity date up to five years and converting the payments from interest-only to principal and interest monthly, at the same or higher interest rate. Commercial loan modifications generally involve extensions of maturity dates, extending the amortization period and temporary deferral or reduction of principal payments. ASB generally does not reduce the interest rate on commercial loan TDR modifications. Occasionally, additional collateral and/or guaranties are obtained.

All TDR loans are classified as impaired and are segregated and reviewed separately when assessing the adequacy of the allowance for loan losses based on the appropriate method of measuring impairment: (1) present value of expected future cash flows discounted at the loan's effective original contractual rate, (2) fair value of collateral less cost to sell or (3) observable market price. The financial impact of the calculated impairment amount is an increase to the allowance associated with the modified loan. When available information confirms that specific loans or portions thereof are uncollectible (confirmed losses), these amounts are charged off against the allowance for loan losses. Loan modifications that occurred during the second quarters and first six months of 2017 and 2016 and the impact on the allowance for loan losses were as follows:

(dollars in thousands)	Three months ended June 30, 2017			Six months ended June 30, 2017		
	Outstanding recorded investment ¹	Net increase in allowance	Number of contracts	Outstanding recorded investment ¹	Net increase in allowance	Number of contracts
	Pre-modification	Post-modification	period end)	Pre-modification	Post-modification	period end)
Real estate:						
Residential 1-4 family	2 \$ 360	\$ 360	\$ —	5 \$ 872	\$ 880	\$ 45
Commercial real estate	—	—	—	—	—	—
Home equity line of credit	5 298	298	59	13 524	510	93
Residential land	—	—	—	—	—	—
Commercial construction	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—
Commercial	—	—	—	1 342	342	—
Consumer	—	—	—	1 59	59	27
	7 \$ 658	\$ 658	\$ 59	20 \$ 1,797	\$ 1,791	\$ 165
	Three months ended June 30, 2016			Six months ended June 30, 2016		
	Outstanding recorded investment ¹	Net increase in allowance	Number of contracts	Outstanding recorded investment ¹	Net increase in allowance	Number of contracts
	Pre-modification	Post-modification	period end)	Pre-modification	Post-modification	period end)
Real estate:						
Residential 1-4 family	5 \$ 891	\$ 885	\$ 98	9 \$ 1,988	\$ 2,100	\$ 259
Commercial real estate	—	—	—	—	—	—
Home equity line of credit	8 768	768	181	18 1,437	1,437	255
Residential land	1 120	121	—	1 120	121	—

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Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial	5	457	457	145	8	16,657	16,657
Consumer	—	—	—	—	—	—	—
	19	\$ 2,236	\$ 2,231	\$ 424	36	\$ 20,202	\$ 20,315
							\$ 1,184

¹ The reported balances include loans that became TDR during the period, and were fully paid-off, charged-off, or sold prior to period end.

Loans modified in TDRs that experienced a payment default of 90 days or more during the second quarters and first six months of 2017 and 2016, and for which the payment of default occurred within one year of the modification, were as follows:

(dollars in thousands)	Three months ended June 30, 2017		Six months ended June 30, 2017	
	Number of contracts	Recorded investment	Number of contracts	Recorded investment
Troubled debt restructurings that subsequently defaulted				
Real estate:				
Residential 1-4 family	1	\$ 222	2	\$ 523
Commercial real estate	—	—	—	—
Home equity line of credit	—	—	—	—
Residential land	—	—	—	—
Commercial construction	—	—	—	—
Residential construction	—	—	—	—
Commercial	—	—	—	—
Consumer	—	—	—	—
	1	\$ 222	2	\$ 523
(dollars in thousands)	Three months ended June 30, 2016		Six months ended June 30, 2016	
	Number of contracts	Recorded investment	Number of contracts	Recorded investment
Troubled debt restructurings that subsequently defaulted				
Real estate:				
Residential 1-4 family	—	\$ —	1	\$ 488
Commercial real estate	—	—	—	—
Home equity line of credit	—	—	—	—
Residential land	—	—	—	—
Commercial construction	—	—	—	—
Residential construction	—	—	—	—
Commercial	1	26	1	26
Consumer	—	—	—	—
	1	\$ 26	2	\$ 514

If loans modified in a TDR subsequently default, ASB evaluates the loan for further impairment. Based on its evaluation, adjustments may be made in the allocation of the allowance or partial charge-offs may be taken to further write-down the carrying value of the loan. Commitments to lend additional funds to borrowers whose loan terms have been modified in a TDR totaled nil and \$2.6 million at June 30, 2017 and December 31, 2016, respectively.

The Company had \$4.6 million and \$3.6 million of consumer mortgage loans collateralized by residential real estate property that were in the process of foreclosure at June 30, 2017 and December 31, 2016, respectively.

Mortgage servicing rights. In its mortgage banking business, ASB sells residential mortgage loans to government-sponsored entities and other parties, who may issue securities backed by pools of such loans. ASB retains no beneficial interests in these loans other than the servicing rights of certain loans sold.

ASB received proceeds from the sale of residential mortgages of \$39.3 million and \$58.1 million for the three months ended June 30, 2017 and 2016 and \$79.9 million and \$98.5 million for the six months ended June 30, 2017 and 2016, respectively, and recognized gains on such sales of \$0.6 million and \$1.5 million for the three months ended June 30, 2017 and 2016 and \$1.4 million and \$2.7 million for the six months ended June 30, 2017 and 2016, respectively.

There were no repurchased mortgage loans for the three and six months ended June 30, 2017 and 2016. The repurchase reserve was \$0.1 million as of June 30, 2017 and 2016.

Mortgage servicing fees, a component of other income, net, were \$0.7 million for both the three months ended June 30, 2017 and 2016 and \$1.5 million and \$1.4 million for the six months ended June 30, 2017 and 2016, respectively.

Changes in the carrying value of mortgage servicing rights were as follows:

(in thousands)	Gross carrying amount ¹	Accumulated amortization ¹	Valuation allowance	Net carrying amount
June 30, 2017	\$ 18,069	\$ (8,888)	\$ —	—\$ 9,181
December 31, 2016	17,271	(7,898)	—	9,373

¹ Reflects the impact of loans paid in full.

Changes related to mortgage servicing rights were as follows:

(in thousands)	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Mortgage servicing rights				
Beginning balance	\$9,294	\$8,857	\$9,373	\$8,884
Amount capitalized	362	665	798	1,120
Amortization	(475)	(506)	(990)	(988)
Other-than-temporary impairment	—	—	—	—
Carrying amount before valuation allowance	9,181	9,016	9,181	9,016
Valuation allowance for mortgage servicing rights				
Beginning balance	—	—	—	—
Provision (recovery)	—	—	—	—
Other-than-temporary impairment	—	—	—	—
Ending balance	—	—	—	—
Net carrying value of mortgage servicing rights	\$9,181	\$9,016	\$9,181	\$9,016

ASB capitalizes mortgage servicing rights acquired through either the purchase or upon the sale of mortgage loans with servicing rights retained. On a monthly basis, ASB compares the net carrying value of the mortgage servicing rights to its fair value to determine if there are any changes to the valuation allowance and/or other-than-temporary impairment for the mortgage servicing rights. ASB's MSR's are stratified based on predominant risk characteristics of the underlying loans including loan type such as fixed-rate 15 and 30 year mortgages and note rate in bands of 50 to 100 basis points. For each stratum, fair value is calculated by discounting expected net income streams using discount rates that reflect industry pricing for similar assets. Changes in mortgage interest rates impact the value of ASB's mortgage servicing rights. Rising interest rates typically result in slower prepayment speeds in the loans being serviced for others, which increases the value of mortgage servicing rights, whereas declining interest rates typically result in faster prepayment speeds which decrease the value of mortgage servicing rights and increase the amortization of the mortgage servicing rights. Expected net income streams are estimated based on industry assumptions regarding prepayment expectations and income and expenses associated with servicing residential mortgage loans for others. ASB uses a present value cash flow model using techniques described above to estimate the fair value of MSR's. Impairment is recognized through a valuation allowance for each stratum when the carrying amount exceeds fair value, with any associated provision recorded as a component of loan servicing fees included in "Revenues - bank" in the consolidated statements of income. A direct write-down is recorded when the recoverability of the valuation allowance is deemed to be unrecoverable.

Key assumptions used in estimating the fair value of ASB's mortgage servicing rights used in the impairment analysis were as follows:

(dollars in thousands)	June 30, 2017	December 31, 2016		
Unpaid principal balance	\$ 1,208,404	\$ 1,188,380		
Weighted average note rate	3.95	% 3.96	%	
Weighted average discount rate	10.0	% 9.4	%	
Weighted average prepayment speed	8.8	% 8.5	%	

The sensitivity analysis of fair value of MSR to hypothetical adverse changes of 25 and 50 basis points in certain key assumptions was as follows:

(dollars in thousands)	June 30, December 31,	
	2017	2016
Prepayment rate:		
25 basis points adverse rate change	\$ (939)	\$ (567)
50 basis points adverse rate change	(2,048)	(1,154)
Discount rate:		
25 basis points adverse rate change	(115)	(128)
50 basis points adverse rate change	(227)	(254)

The effect of a variation in certain assumptions on fair value is calculated without changing any other assumptions. This analysis typically cannot be extrapolated because the relationship of a change in one key assumption to the changes in the fair value of MSR typically is not linear.

Other borrowings. Securities sold under agreements to repurchase are accounted for as financing transactions and the obligations to repurchase these securities are recorded as liabilities in the balance sheet. ASB pledges investment securities as collateral for securities sold under agreements to repurchase. All such agreements are subject to master netting arrangements, which provide for a conditional right of set-off in case of default by either party; however, ASB presents securities sold under agreements to repurchase on a gross basis in the balance sheet. The following tables present information about the securities sold under agreements to repurchase, including the related collateral received from or pledged to counterparties:

(in millions)	Gross amount of recognized liabilities	Gross amount offset in the Balance Sheet	Net amount of liabilities presented in the Balance Sheet
Repurchase agreements			
June 30, 2017	\$88	\$—	\$88
December 31, 2016	93	—	93

(in millions)	Gross amount not offset in the Balance Sheet		
	Net amount of liabilities presented in the Balance Sheet	Financial instruments	Cash collateral pledged
June 30, 2017			
Financial institution	\$ —	\$ —	\$ —
Government entities	—	—	—
Commercial account holders	88	120	—
Total	\$ 88	\$ 120	\$ —
December 31, 2016			
Financial institution	\$ —	\$ —	\$ —
Government entities	14	15	—
Commercial account holders	79	101	—
Total	\$ 93	\$ 116	\$ —

The securities underlying the agreements to repurchase are book-entry securities and were delivered by appropriate entry into the counterparties' accounts or into segregated tri-party custodial accounts at the FHLB. Securities sold under agreements to repurchase are accounted for as financing transactions and the obligations to repurchase these securities are recorded as liabilities in the consolidated balance sheets. The securities underlying the agreements to repurchase continue to be reflected in ASB's asset accounts.

Derivative financial instruments. ASB enters into interest rate lock commitments (IRLCs) with borrowers, and forward commitments to sell loans or to-be-announced mortgage-backed securities to investors to hedge against the inherent interest rate and pricing risks associated with selling loans.

ASB enters into IRLCs for residential mortgage loans, which commit ASB to lend funds to a potential borrower at a specific interest rate and within a specified period of time. IRLCs that relate to the origination of mortgage loans that will be held for sale are considered derivative financial instruments under applicable accounting guidance.

Outstanding IRLCs expose

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ASB to the risk that the price of the mortgage loans underlying the commitments may decline due to increases in mortgage interest rates from inception of the rate lock to the funding of the loan. The IRLCs are free-standing derivatives which are carried at fair value with changes recorded in mortgage banking income.

ASB enters into forward commitments to hedge the interest rate risk for rate locked mortgage applications in process and closed mortgage loans held for sale. These commitments are primarily forward sales of to-be-announced mortgage backed securities. Generally, when mortgage loans are closed, the forward commitment is liquidated and replaced with a mandatory delivery forward sale of the mortgage to a secondary market investor. In some cases, a best-efforts forward sale agreement is utilized as the forward commitment. These commitments are free-standing derivatives which are carried at fair value with changes recorded in mortgage banking income.

Changes in the fair value of IRLCs and forward commitments subsequent to inception are based on changes in the fair value of the underlying loan resulting from the fulfillment of the commitment and changes in the probability that the loan will fund within the terms of the commitment, which is affected primarily by changes in interest rates and the passage of time.

The notional amount and fair value of ASB's derivative financial instruments were as follows:

(in thousands)	June 30, 2017		December 31, 2016	
	Notional amount	Fair value	Notional amount	Fair value
Interest rate lock commitments	\$22,737	\$ 126	\$25,883	\$421
Forward commitments	22,925	88	30,813	(177)

ASB's derivative financial instruments, their fair values and balance sheet location were as follows:

(in thousands)	June 30, 2017		December 31, 2016	
	Asset derivatives	Liability derivatives	Asset derivatives	Liability derivatives
Interest rate lock commitments	\$ 142	\$ 16	\$ 445	\$ 24
Forward commitments	88	—	8	185
	\$ 230	\$ 16	\$ 453	\$ 209

¹ Asset derivatives are included in other assets and liability derivatives are included in other liabilities in the balance sheets.

The following table presents ASB's derivative financial instruments and the amount and location of the net gains or losses recognized in ASB's statements of income:

Derivative Financial Instruments Not Designated as Hedging Instruments (in thousands)	Location of net gains (losses) recognized in the Statement of Income	Three months ended June 30		Six months ended June 30	
		2017	2016	2017	2016
Interest rate lock commitments	Mortgage banking income	\$(191)	\$140	\$(295)	\$411
Forward commitments	Mortgage banking income	192	(74)	265	(237)
		\$1	\$66	\$(30)	\$174

Low-Income Housing Tax Credit (LIHTC). ASB's unfunded commitments to fund its LIHTC investment partnerships were \$14.3 million and \$14.0 million at June 30, 2017 and December 31, 2016, respectively. These unfunded commitments were unconditional and legally binding and are recorded in other liabilities with a corresponding increase in other assets. As of June 30, 2017, ASB did not have any impairment losses resulting from forfeiture or ineligibility of tax credits or other circumstances related to its LIHTC investment partnerships.

Contingencies. ASB is subject in the normal course of business to pending and threatened legal proceedings. Management does not anticipate that the aggregate ultimate liability arising out of these pending or threatened legal proceedings will be material to its financial position. However, ASB cannot rule out the possibility that such outcomes could have a material adverse effect on the results of operations or liquidity for a particular reporting period in the future.

5 · Credit agreements and long-term debt

Credit agreements. HEI and Hawaiian Electric each entered into a separate agreement with a syndicate of eight financial institutions (the HEI Facility and Hawaiian Electric Facility, respectively, and together, the Facilities), effective July 3, 2017, to

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amend and restate their respective previously existing revolving unsecured credit agreements. The \$150 million HEI Facility extended the term of the facility to June 30, 2022. The \$200 million Hawaiian Electric Facility has an initial term that expires on June 29, 2018, but its term will extend to June 30, 2022, if and when approved by the PUC during the initial term. As of June 30, 2017 and December 31, 2016, no amounts were outstanding under the previously existing facilities.

The Facilities will be maintained to support each company's respective short-term commercial paper program, but may be drawn on to meet each company's respective working capital needs and general corporate purposes.

Changes in long-term debt. On June 29, 2017, the Department of Budget and Finance of the State of Hawaii (Department) for the benefit of the Utilities, issued, at par:

	Refunding Series 2017A Special Purpose Revenue Bonds	Refunding Series 2017B Special Purpose Revenue Bonds
Aggregate principal amount	\$125 million	\$140 million
Fixed coupon interest rate	3.10%	4.00%
Maturity date	May 1, 2026	March 1, 2037
Department loaned the proceeds to:		
Hawaiian Electric	\$62 million	\$100 million
Hawaii Electric Light	\$8 million	\$20 million
Maui Electric	\$55 million	\$20 million

Proceeds from the sale were applied to redeem at par bonds previously issued by the Department for the benefit of the Utilities:

	Refunding Series 2007B Special Purpose Revenue Bonds	Series 2007A Special Purpose Revenue Bonds
Aggregate principal amount	\$125 million	\$140 million
Fixed coupon interest rate	4.60%	4.65%
Maturity date	May 1, 2026	March 1, 2037

6 · Shareholders' equity

Accumulated other comprehensive income/(loss). Changes in the balances of each component of accumulated other comprehensive income/(loss) (AOCI) were as follows:

(in thousands)	HEI Consolidated				Hawaiian Electric Consolidated		
	Net unrealized gains (losses) on securities	Unrealized gains (losses) on derivatives	Retirement benefit plans	AOCI	Unrealized gains (losses) on derivatives	Retirement benefit plans	AOCI
Balance, December 31, 2016	\$(7,931)	\$ (454)	\$(24,744)	\$(33,129)	\$(454)	\$ 132	\$(322)
Current period other comprehensive income	2,244	454	657	3,355	454	45	499
Balance, June 30, 2017	\$(5,687)	\$ —	\$(24,087)	\$(29,774)	\$—	\$ 177	\$177
Balance, December 31, 2015	\$(1,872)	\$ (54)	\$(24,336)	\$(26,262)	\$—	\$ 925	\$925
Current period other comprehensive income	9,984	311	613	10,908	257	4	261
Balance, June 30, 2016	\$8,112	\$ 257	\$(23,723)	\$(15,354)	\$257	\$ 929	\$1,186

Reclassifications out of AOCI were as follows:

(in thousands)	Amount reclassified from AOCI		Amount reclassified from AOCI		Affected line item in the Statements of Income / Balance Sheets
	Three months ended June 30	2016	Six months ended June 30	2016	
HEI consolidated					
Net realized gains on securities included in net income	\$ —	\$ (360)	\$ —	\$ (360)	Revenues-bank (net gains on sales of securities)
Derivatives qualifying as cash flow hedges:					
Window forward contracts	—	—	454	—	Construction in progress-electric utilities (losses on window forward contracts - see Note 3 for additional details)
Interest rate contracts (settled in 2011)	—	—	—	54	Interest expense
Retirement benefit plans:					
Amortization of prior service credit and net losses recognized during the period in net periodic benefit cost	3,930	3,698	7,851	7,236	See Note 7 for additional details
Impact of D&Os of the PUC included in regulatory assets	(3,581)	(3,401)	(7,194)	(6,623)	See Note 7 for additional details
Total reclassifications	\$ 349	\$ (63)	\$ 1,111	\$ 307	
Hawaiian Electric consolidated					
Derivatives qualifying as cash flow hedges:					
Window forward contracts	\$ —	\$ —	\$ 454	\$ —	Construction in progress (losses on window forward contracts - see Note 3 for additional details)
Retirement benefit plans:					
Amortization of prior service credit and net losses recognized during the period in net periodic benefit cost	3,621	3,391	7,239	6,627	See Note 7 for additional details
Impact of D&Os of the PUC included in regulatory assets	(3,581)	(3,401)	(7,194)	(6,623)	See Note 7 for additional details
Total reclassifications	\$ 40	\$ (10)	\$ 499	\$ 4	

7 · Retirement benefits

Defined benefit pension and other postretirement benefit plans information. For the first six months of 2017, the Company contributed \$33 million (nearly all by the Utilities) to its pension and other postretirement benefit plans, compared to \$33 million (\$32 million by the Utilities) in the first six months of 2016. The Company's current estimate of contributions to its pension and other postretirement benefit plans in 2017 is \$67 million (\$66 million by the Utilities, \$1 million by HEI and nil by ASB), compared to \$65 million (\$64 million by the Utilities, \$1 million by HEI and nil by ASB) in 2016. In addition, the Company expects to pay directly \$2 million (\$1 million by the Utilities) of benefits in 2017, compared to \$2 million (\$1 million by the Utilities) paid in 2016.

The components of NPPC and NPBC for HEI consolidated and Hawaiian Electric consolidated were as follows:

(in thousands)	Three months ended June 30				Six months ended June 30			
	Pension benefits		Other benefits		Pension benefits		Other benefits	
	2017	2016	2017	2016	2017	2016	2017	2016
HEI consolidated								
Service cost	\$ 15,870	\$ 14,913	\$ 847	\$ 832	\$ 32,364	\$ 30,304	\$ 1,687	\$ 1,668
Interest cost	20,361	20,481	2,315	2,363	40,577	40,758	4,726	4,837
Expected return on plan assets	(25,646)	(24,616)	(3,104)	(3,091)	(51,367)	(49,280)	(6,170)	(6,143)
Amortization of net prior service gain	(13)	(14)	(448)	(448)	(27)	(28)	(897)	(896)
Amortization of net actuarial loss	6,707	6,408	199	116	13,220	12,377	565	403
Net periodic pension/benefit cost	17,279	17,172	(191)	(228)	34,767	34,131	(89)	(131)
Impact of PUC D&Os	(4,867)	(4,765)	527	483	(10,023)	(8,811)	673	672
Net periodic pension/benefit cost (adjusted for impact of PUC D&Os)	\$ 12,412	\$ 12,407	\$ 336	\$ 255	\$ 24,744	\$ 25,320	\$ 584	\$ 541
Hawaiian Electric consolidated								
Service cost	\$ 15,436	\$ 14,465	\$ 841	\$ 820	\$ 31,530	\$ 29,398	\$ 1,676	\$ 1,642
Interest cost	18,726	18,801	2,231	2,280	37,315	37,404	4,558	4,669
Expected return on plan assets	(23,935)	(22,885)	(3,056)	(3,046)	(47,946)	(45,817)	(6,073)	(6,049)
Amortization of net prior service loss (gain)	2	3	(451)	(451)	4	7	(902)	(902)
Amortization of net actuarial loss	6,190	5,885	192	113	12,196	11,346	551	397
Net periodic pension/benefit cost	16,419	16,269	(243)	(284)	33,099	32,338	(190)	(243)
Impact of PUC D&Os	(4,867)	(4,765)	527	483	(10,023)	(8,811)	673	672
Net periodic pension/benefit cost (adjusted for impact of PUC D&Os)	\$ 11,552	\$ 11,504	\$ 284	\$ 199	\$ 23,076	\$ 23,527	\$ 483	\$ 429

HEI consolidated recorded retirement benefits expense of \$17 million (\$15 million by the Utilities) and \$18 million (\$16 million by the Utilities) in the first six months of 2017 and 2016, respectively, and charged the remaining net periodic benefit cost primarily to electric utility plant.

The Utilities have implemented pension and OPEB tracking mechanisms under which all of their retirement benefit expenses (except for executive life and nonqualified pension plan expenses) determined in accordance with GAAP are recovered over time. Under the tracking mechanisms, these retirement benefit costs that are over/under amounts allowed in rates are charged/credited to a regulatory asset/liability. The regulatory asset/liability for each utility will be amortized over 5 years beginning with the issuance of the PUC's D&O in the respective utility's next rate case.

Defined contribution plans information. For the first six months of 2017 and 2016, the Company's expenses for its defined contribution pension plans under the Hawaiian Electric Industries Retirement Savings Plan (HEIRSP) and the ASB 401(k) Plan were \$3.3 million and \$2.8 million, respectively, and cash contributions were \$4.0 million and \$3.7 million, respectively. For the first six months of 2017 and 2016, the Utilities' expenses for its defined contribution pension plan under the HEIRSP were \$1.0 million and \$0.8 million, respectively, and cash contributions were \$1.0 million and \$0.8 million, respectively.

8 · Share-based compensation

Under the 2010 Equity and Incentive Plan, as amended, HEI can issue shares of common stock as incentive compensation to selected employees in the form of stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares and other share-based and cash-based awards. The 2010 Equity and Incentive Plan (original EIP) was amended and restated effective March 1, 2014 (EIP) and an additional 1.5 million shares was added to the shares available for issuance under these programs.

As of June 30, 2017, approximately 3.3 million shares remained available for future issuance under the terms of the EIP, assuming recycling of shares withheld to satisfy minimum statutory tax liabilities relating to EIP awards, including an estimated 0.4 million shares that could be issued upon the vesting of outstanding restricted stock units and the achievement of performance goals for awards outstanding under long-term incentive plans (assuming that such performance goals are achieved at maximum levels).

Under the 2011 Nonemployee Director Stock Plan (2011 Director Plan), HEI can issue shares of common stock as compensation to nonemployee directors of HEI, Hawaiian Electric and ASB. As of June 30, 2017, there were 85,428 shares remaining available for future issuance under the 2011 Director Plan.

Share-based compensation expense and the related income tax benefit were as follows:

	Three months ended June 30, 2017		Six months ended June 30, 2016	
(in millions)				
HEI consolidated				
Share-based compensation expense ¹	\$2.2	\$1.0	\$3.3	\$2.0
Income tax benefit	0.8	0.4	1.2	0.7
Hawaiian Electric consolidated				
Share-based compensation expense ¹	0.7	0.3	1.1	0.6
Income tax benefit	0.3	0.1	0.4	0.2

¹ For the three months and six months ended June 30, 2017 and 2016, the Company has not capitalized any share-based compensation.

Stock awards. No nonemployee director stock grants were awarded from January 1 to June 30, 2016. Nonemployee director awards totaling \$0.2 million were paid in cash in July 2016. HEI granted HEI common stock to nonemployee directors of HEI, Hawaiian Electric and ASB under the 2011 Director Plan as follows:

	Three months ended June 30, 2017		Six months ended June 30, 2016	
(\$ in millions)				
Shares granted	35,000	—	35,770	—
Fair value	\$ 1.1	\$ —	\$ 1.2	\$ —
Income tax benefit	0.4	—	0.5	—

The number of shares issued to nonemployee directors of HEI, Hawaiian Electric and ASB is determined based on the closing price of HEI Common Stock on the grant date.

Restricted stock units. Information about HEI's grants of restricted stock units was as follows:

	Three months ended June 30, 2017		Six months ended June 30, 2016	
Outstanding, beginning of period	236,036	42,226	220,688	29,571
Granted	896	33,060	—	—
	236,932	75,286	220,688	29,571

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Vested	(7,320.17	(785.27.88	(88,994.88.88	(79,164.27.91
Forfeited	(23,079.50	— —	(23,079.50	— —
Outstanding, end of period	206,483.50	225,752.59	206,483.50	225,752.59
Total weighted-average grant-date fair value of shares granted (\$ millions)	\$—	\$—	\$3.3	\$2.8

(1) Weighted-average grant-date fair value per share based on the average price of HEI common stock on the date of grant.

For the first six months of 2017 and 2016, total restricted stock units that vested and related dividends had a fair value of \$3.3 million and \$2.6 million, respectively, and the related tax benefits were \$1.2 million and \$0.9 million, respectively.

As of June 30, 2017, there was \$5.4 million of total unrecognized compensation cost related to the nonvested restricted stock units. The cost is expected to be recognized over a weighted-average period of 2.8 years.

Long-term incentive plan payable in stock. The 2017-2019 long-term incentive plan (LTIP) provides for performance awards under the EIP of shares of HEI common stock based on the satisfaction of performance goals, including a market condition goal. The number of shares of HEI common stock that may be awarded is fixed on the date the grants are made, subject to the achievement of specified performance levels and calculated dividend equivalents. The potential payout varies from 0% to 200% of the number of target shares depending on the achievement of the goals. The market condition goal is based on HEI's total shareholder return (TSR) compared to the Edison Electric Institute Index over the three-year period. The other performance condition goals relate to EPS growth, return on average common equity (ROACE) and ASB's efficiency ratio. The 2015-2017 and 2016-2018 LTIPs provide for performance awards payable in cash, and thus are not included in the tables below.

LTIP linked to TSR. Information about HEI's LTIP grants linked to TSR was as follows:

	Three months ended		Six months ended June	
	June 30	June 30	30	30
	2017	2016	2017	2016
	Shares	Shares	Shares(1)	Shares
Outstanding, beginning of period	36,739.51	83,927.95	83,106	162,500.66
Granted (target level)	23,339.51	—	37,204	—
Vested (issued or unissued and cancelled)	—	—	(83,106)	(78,333.69)
Forfeited	(3,439.51)	—	(3,434)	—
Outstanding, end of period	33,739.51	83,927.95	33,770	83,947.95
Total weighted-average grant-date fair value of shares granted (\$ millions)	\$—	\$—	\$1.5	\$—

(1) Weighted-average grant-date fair value per share determined using a Monte Carlo simulation model.

The grant date fair values of the shares were determined using a Monte Carlo simulation model utilizing actual information for the common shares of HEI and its peers for the period from the beginning of the performance period to the grant date and estimated future stock volatility and dividends of HEI and its peers over the remaining three-year performance period. The expected stock volatility assumptions for HEI and its peer group were based on the three-year historic stock volatility, and the annual dividend yield assumptions were based on dividend yields calculated on the basis of daily stock prices over the same three-year historical period.

The following table summarizes the assumptions used to determine the fair value of the LTIP awards linked to TSR and the resulting fair value of LTIP awards granted:

	2017	
Risk-free interest rate	1.46	%
Expected life in years	3	
Expected volatility	20.1	%
Range of expected volatility for Peer Group	15.4% to 26.0%	
Grant date fair value (per share)	\$39.51	

For the six months ended June 30, 2017, total vested LTIP awards linked to TSR and related dividends had a fair value of \$1.9 million and the related tax benefits were \$0.7 million. For the six months ended June 30, 2016, all vested shares in the table above were unissued and cancelled (i.e., lapsed) because the TSR goal was not met.

As of June 30, 2017, there was \$1.1 million of total unrecognized compensation cost related to the nonvested performance awards payable in shares linked to TSR. The cost is expected to be recognized over a weighted-average period of 2.5 years.

LTIP awards linked to other performance conditions. Information about HEI's LTIP awards payable in shares linked to other performance conditions was as follows:

	Three months ended June 30		Six months ended June 30	
	2017 Shares	2016 Shares	2017 Shares(1)	2016 Shares
Outstanding, beginning of period	147,838	113,508	109,816	222,627
Granted (target level)	93,032	—	148,813	—
Vested (issued)	—	—	(109,816)	(109,816)
Forfeited	(13,740)	—	(13,740)	—
Outstanding, end of period	135,078	113,508	135,078	113,508
Total weighted-average grant-date fair value of shares granted (at target performance levels) (\$ millions)	\$—	\$—	\$5.0	\$—

(1) Weighted-average grant-date fair value per share based on the average price of HEI common stock on the date of grant.

For the six months ended June 30, 2017 and 2016, total vested LTIP awards linked to other performance conditions and related dividends had a fair value of \$4.2 million and \$3.6 million and the related tax benefits were \$1.6 million and \$1.4 million, respectively.

As of June 30, 2017, there was \$3.8 million of total unrecognized compensation cost related to the nonvested shares linked to performance conditions other than TSR. The cost is expected to be recognized over a weighted-average period of 2.5 years.

9 · Income taxes

The Company's ETRs (combined federal and state income tax rates) for the second quarters of 2017 and 2016 were 34% and 37%, respectively, and for the first six months of 2017 and 2016 were 34% and 37%, respectively. The ETR was lower for the three months and six months ended June 30, 2017 compared to the same periods in 2016 due in part to 2016 nondeductible merger- and spin-off-related expenses. Also, in the first quarter of 2017, the Company recognized excess tax benefits on share-based compensation after the adoption of ASU No. 2016-09.

Hawaiian Electric's ETRs for the second quarters of 2017 and 2016 were 36% and 38%, respectively, and for the first six months of 2017 and 2016 were 36% and 37%, respectively. The lower ETR was due in part to the recognition of excess tax benefits on share-based compensation after the adoption of ASU No. 2016-09.

Recent tax developments. The extension of bonus depreciation under the "Protecting Americans from Tax Hikes (PATH) Act of 2015" continues to be the most significant recent tax change. The PATH Act provides 50% bonus depreciation through 2017, phases down the percentage to 40% in 2018 and 30% in 2019 and then terminates bonus depreciation thereafter. Tax depreciation is expected to increase by approximately \$120 million in 2017 due to bonus depreciation, which has the effect of increasing accumulated deferred tax liabilities. However, the rate of growth of accumulated deferred tax liabilities is decreasing over time as book depreciation "catches up" with the tax depreciation taken in the past.

10 · Cash flows

Six months ended June 30	2017	2016
(in millions)		
Supplemental disclosures of cash flow information		
HEI consolidated		
Interest paid to non-affiliates	\$46	\$43
Income taxes paid (including refundable credits)	21	14
Income taxes refunded (including refundable credits)	—	45
Hawaiian Electric consolidated		
Interest paid to non-affiliates	36	31
Income taxes paid (including refundable credits)	8	—
Income taxes refunded (including refundable credits)	—	20
Supplemental disclosures of noncash activities		
HEI consolidated		
Common stock dividends reinvested in HEI common stock (financing) ¹	—	11
Loans transferred from held for investment to held for sale (investing)	9	—
Common stock issued (gross) for director and executive/management compensation (financing) ²	11	6
HEI consolidated and Hawaiian Electric consolidated		
Electric utility property, plant and equipment		
Estimated fair value of noncash contributions in aid of construction (investing)	2	8
Change in unpaid invoices and accruals for capital expenditures (investing)	(7)	(32)

¹ The amounts shown represent common stock dividends reinvested in HEI common stock under the HEI Dividend Reinvestment and Stock Purchase Plan (DRIP) in noncash transactions.

² The amounts shown represent the market value of common stock issued for director and executive/management compensation and withheld to satisfy statutory tax liabilities.

11 · Fair value measurements

Fair value estimates are estimates of the price that would be received to sell an asset or paid upon the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value estimates are generally determined based on assumptions that market participants would use in pricing the asset or liability and are based on market data obtained from independent sources. However, in certain cases, the Company and the Utilities use their own assumptions based on the best information available in the circumstances. These valuations are estimates at a specific point in time, based on relevant market information, information about the financial instrument and judgments regarding future expected loss experience, economic conditions, risk characteristics of various financial instruments and other factors. These estimates do not reflect any premium or discount that could result if the Company or the Utilities were to sell its entire holdings of a particular financial instrument at one time. Because no active trading market exists for a portion of the Company's and the Utilities' financial instruments, fair value estimates cannot be determined with precision. Changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the estimates. In addition, the tax ramifications related to the realization of the unrealized gains and losses could have a significant effect on fair value estimates but have not been considered in making such estimates.

The Company and the Utilities group their financial assets measured at fair value in three levels outlined as follows:

Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and is used to measure fair value whenever available.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow

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methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Classification in the hierarchy is based upon the lowest level input that is significant to the fair value measurement of the asset or liability. For instruments classified in Level 1 and 2 where inputs are primarily based upon observable market data, there is less judgment applied in arriving at the fair value. For instruments classified in Level 3, management judgment is more significant due to the lack of observable market data.

Fair value is also used on a nonrecurring basis to evaluate certain assets for impairment or for disclosure purposes. Examples of nonrecurring uses of fair value include mortgage servicing rights accounted for by the amortization method, loan impairments for certain loans and goodwill.

Fair value measurement and disclosure valuation methodology. The following are descriptions of the valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not carried at fair value:

Short-term borrowings—other than bank. The carrying amount of short-term borrowings approximated fair value because of the short maturity of these instruments.

Investment securities. The fair value of ASB's investment securities is determined quarterly through pricing obtained from independent third-party pricing services or from brokers not affiliated with the trade. Non-binding broker quotes are infrequent and generally occur for new securities that are settled close to the month-end pricing date. The third-party pricing vendors ASB uses for pricing its securities are reputable firms that provide pricing services on a global basis and have processes in place to ensure quality and control. The third-party pricing services use a variety of methods to determine the fair value of securities that fall under Level 2 of the ASB's fair value measurement hierarchy. Among the considerations are quoted prices for similar securities in an active market, yield spreads for similar trades, adjustments for liquidity, size, collateral characteristics, historic and generic prepayment speeds, and other observable market factors.

To enhance the robustness of the pricing process, ASB will on a quarterly basis compare its standard third-party vendor's price with that of another third-party vendor. If the prices are within an acceptable tolerance range, the price of the standard vendor will be accepted. If the variance is beyond the tolerance range, an evaluation will be conducted by ASB and a challenge to the price may be made. Fair value in such cases will be based on the value that best reflects the data and observable characteristics of the security. In all cases, the fair value used will have been independently determined by a third-party pricing vendor or non-affiliated broker and not by ASB.

The fair value of the mortgage revenue bond is estimated using a discounted cash flow model to calculate the present value of future principal and interest payments and, therefore is classified within Level 3 of the valuation hierarchy.

Loans held for sale. Loans carried at the lower of cost or market are valued using market observable pricing inputs, which are derived from third party loan sales and securitizations and, therefore, are classified within Level 2 of the valuation hierarchy. ASB transferred \$6.1 million of loans receivable out of Level 3 into Level 2 due to changes in the observability of significant inputs during the six months ended June 30, 2017. The related gain from the fair value adjustment of loans sold was not material in the three and six months ended June 30, 2017.

Loans held for investment. Fair value of loans held for investment is derived using a discounted cash flow approach which includes an evaluation of the underlying loan characteristics. The valuation model uses loan characteristics which includes product type, maturity dates and the underlying interest rate of the portfolio. This information is input into the valuation models along with various forecast valuation assumptions including prepayment forecasts, to determine the discount rate. These assumptions are derived from internal and third party sources. Noting the valuation is derived from model-based techniques, ASB includes loans held for investment within Level 3 of the valuation hierarchy.

Impaired loans. At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Fair value is determined primarily by using an income, cost or market approach and is normally provided through appraisals. Impaired loans carried at fair value generally receive specific allocations within the allowance for loan losses. For collateral-dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences

between the comparable sales and income data available. Such adjustments typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Generally, impaired loans are evaluated quarterly for additional impairment and adjusted accordingly.

Real estate acquired in settlement of loans. Foreclosed assets are carried at fair value (less estimated costs to sell) and are generally based upon appraisals or independent market prices that are periodically updated subsequent to classification as real estate owned. Such adjustments typically result in a Level 3 classification of the inputs for determining fair value. ASB estimates the fair value of collateral-dependent loans and real estate owned using the sales comparison approach.

Mortgage servicing rights. Mortgage servicing rights (MSRs) are capitalized at fair value based on market data at the time of sale and accounted for in subsequent periods at the lower of amortized cost or fair value. Mortgage servicing rights are evaluated for impairment at each reporting date. ASB's MSRs are stratified based on predominant risk characteristics of the underlying loans including loan type and note rate. For each stratum, fair value is calculated by discounting expected net income streams using discount rates that reflect industry pricing for similar assets. Expected net income streams are estimated based on industry assumptions regarding prepayment expectations and income and expenses associated with servicing residential mortgage loans for others. Impairment is recognized through a valuation allowance for each stratum when the carrying amount exceeds fair value, with any associated provision recorded as a component of loan servicing fees included in "Revenues - bank" in the consolidated statements of income. A direct write-down is recorded when the recoverability of the valuation allowance is deemed to be unrecoverable. ASB compares the fair value of MSRs to an estimated value calculated by an independent third-party. The third-party relies on both published and unpublished sources of market related assumptions and their own experience and expertise to arrive at a value. ASB uses the third-party value only to assess the reasonableness of its own estimate.

Time deposits. The fair value of fixed-maturity certificates of deposit was estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

Other borrowings. For fixed-rate advances and repurchase agreements, fair value is estimated using quantitative discounted cash flow models that require the use of interest rate inputs that are currently offered for advances and repurchase agreements of similar remaining maturities. The majority of market inputs are actively quoted and can be validated through external sources, including broker market transactions and third party pricing services.

Long-term debt—other than bank. Fair value of long-term debt of HEI and the Utilities was obtained from third-party financial services providers based on the current rates offered for debt of the same or similar remaining maturities and from discounting the future cash flows using the current rates offered for debt of the same or similar remaining maturities.

Interest rate lock commitments (IRLCs). The estimated fair value of commitments to originate residential mortgage loans for sale is based on quoted prices for similar loans in active markets. IRLCs are classified as Level 2 measurements.

Forward sales commitments. To be announced (TBA) mortgage-backed securities forward commitments are classified as Level 1, and consist of publicly-traded debt securities for which identical fair values can be obtained through quoted market prices in active exchange markets. The fair values of ASB's best efforts and mandatory delivery loan sale commitments are determined using quoted prices in the market place that are observable and are classified as Level 2 measurements.

Window forward contracts. The estimated fair value of the Utilities' window forward contracts was obtained from a third-party financial services provider based on the effective exchange rate offered for the foreign currency denominated transaction. Window forward contracts are classified as Level 2 measurements.

The following table presents the carrying or notional amount, fair value and placement in the fair value hierarchy of the Company's financial instruments. For stock in Federal Home Loan Bank, the carrying amount is a reasonable estimate of fair value because it can only be redeemed at par. For bank-owned life insurance, the carrying amount is the cash surrender value of the insurance policies, which is a reasonable estimate of fair value. For financial liabilities such as noninterest-bearing demand, interest-bearing demand, and savings and money market deposits, the carrying amount is a reasonable estimate of fair value as these liabilities have no stated maturity.

(in thousands)	Carrying or notional amount	Estimated fair value			Total
		Quoted prices in significant active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
June 30, 2017					
Financial assets					
HEI consolidated					
Available-for-sale investment securities	\$ 1,302,886	\$ -1,287,459	\$ 15,427		\$ 1,302,886
Stock in Federal Home Loan Bank	11,706	—11,706	—		11,706
Loans receivable, net	4,693,539	—5,261	4,836,804		4,842,065
Mortgage servicing rights	9,181	—	12,270		12,270
Bank-owned life insurance	146,122	—146,122	—		146,122
Derivative assets	58,120	47,798	—		845
Hawaiian Electric consolidated					
Derivative assets-window forward contracts	15,995	—615	—		615
Financial liabilities					
HEI consolidated					
Deposit liabilities	5,724,386	—5,721,882	—		5,721,882
Short-term borrowings—other than bank	49,789	—49,789	—		49,789
Other bank borrowings	188,130	—188,513	—		188,513
Long-term debt, net—other than bank	1,618,647	—1,740,479	—		1,740,479
Derivative liabilities	8,263	—246	—		246
Hawaiian Electric consolidated					
Short-term borrowings	43,990	—43,990	—		43,990
Long-term debt, net	1,318,845	—1,434,528	—		1,434,528
Derivative liabilities-window forward contracts	4,726	—230	—		230
December 31, 2016					
Financial assets					
HEI consolidated					
Money market funds	\$ 13,085	\$ -13,085	\$ —		\$ 13,085
Available-for-sale investment securities	1,105,182	—1,089,755	15,427		1,105,182
Stock in Federal Home Loan Bank	11,218	—11,218	—		11,218
Loans receivable, net	4,701,977	—13,333	4,839,493		4,852,826
Mortgage servicing rights	9,373	—	13,216		13,216
Bank-owned life insurance	143,197	—143,197	—		143,197
Derivative assets	23,578	—453	—		453
Financial liabilities					
HEI consolidated					
Deposit liabilities	5,548,929	—5,546,644	—		5,546,644
Short-term borrowings—other than bank	—	—	—		—
Other bank borrowings	192,618	—193,991	—		193,991
Long-term debt, net—other than bank	1,619,019	—1,704,717	—		1,704,717
Derivative liabilities	53,852	12,923	—		952
Hawaiian Electric consolidated					
Long-term debt, net	1,319,260	—1,399,490	—		1,399,490

Derivative liabilities-window forward contracts	20,734	—743	—	743
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Fair value measurements on a recurring basis. Assets and liabilities measured at fair value on a recurring basis were as follows:

(in thousands)	June 30, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Money market funds (“other” segment)	\$ —	\$ —	\$ —	\$ —	\$ 13,085	\$ —
Available-for-sale investment securities (bank segment)						
Mortgage-related securities-FNMA, FHLMC and GNMA	\$ —	\$ 1,100,876	\$ —	\$ —	\$ 897,474	\$ —
U.S. Treasury and federal agency obligations	—	186,583	—	—	192,281	—
Mortgage revenue bond	—	—	15,427	—	—	15,427
	\$ —	\$ 1,287,459	\$ 15,427	\$ —	\$ 1,089,755	\$ 15,427
Derivative assets						
Interest rate lock commitments (bank segment) ¹	\$ —	\$ 142	\$ —	\$ —	\$ 445	\$ —
Forward commitments (bank segment) ¹	47	41	—	—	8	—
Window forward contract (electric utility segment) ²	—	615	—	—	—	—
	\$ 47	\$ 798	\$ —	\$ —	\$ 453	\$ —
Derivative liabilities						
Interest rate lock commitments (bank segment) ¹	\$ —	\$ 16	\$ —	\$ —	\$ 24	\$ —
Forward commitments (bank segment) ¹	—	—	—	129	56	—
Window forward contracts (electric utility segment) ²	—	230	—	—	743	—
	\$ —	\$ 246	\$ —	\$ 129	\$ 823	\$ —

¹ Derivatives are carried at fair value with changes in value reflected in the balance sheet in other assets or other liabilities and included in mortgage banking income.

² Derivatives are included in noncurrent regulatory assets and/or liabilities in the balance sheets.

There were no transfers of financial assets and liabilities between Level 1 and Level 2 of the fair value hierarchy during the six months ended June 30, 2017.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis were as follows:

(in thousands)	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Mortgage revenue bond				
Beginning balance	\$ 15,427	\$ —	\$ 15,427	\$ —
Principal payments received	—	—	—	—
Purchases	—	—	—	—
Unrealized gain (loss) included in other comprehensive income	—	—	—	—
Ending balance	\$ 15,427	\$ —	\$ 15,427	\$ —

ASB holds one mortgage revenue bond issued by the Department of Budget and Finance of the State of Hawaii. The Company estimates the fair value by using a discounted cash flow model to calculate the present value of estimated future principal and interest payments. The unobservable input used in the fair value measurement is the weighted average discount rate. As of June 30, 2017, the weighted average discount rate was 2.820% which was derived by incorporating a credit spread over the one month LIBOR rate. Significant increases (decreases) in the weighted average discount rate could result in a significantly lower (higher) fair value measurement.

Fair value measurements on a nonrecurring basis. Certain assets and liabilities are measured at fair value on a nonrecurring basis and therefore are not included in the tables above. These measurements primarily result from assets

carried at the lower of cost or fair value or from impairment of individual assets. The carrying value of assets measured at fair value on a nonrecurring basis were as follows:

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(in thousands)	Fair value measurements		
	Balance	Level 1	Level 2 Level 3
June 30, 2017			
Loans	\$ 1,258	\$ —	\$ 1,258
December 31, 2016			
Loans	2,767	—	2,767
Real estate acquired in settlement of loans	1,189	—	1,189

For six months ended June 30, 2017 and 2016, there were no adjustments to fair value for ASB's loans held for sale. The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a nonrecurring basis:

(\$ in thousands)	Fair value	Valuation technique	Significant unobservable input	Significant unobservable input value ⁽¹⁾	
				Range	Weighted Average
June 30, 2017					
Residential loan	\$448	Fair value of collateral	Appraised value less 7% selling cost		N/A (2)
Commercial loan	810	Sales price	Sales price		N/A (2)
Total loans	\$1,258				
December 31, 2016					
Residential loans	\$2,468	Sales price	Sales price	95-100%	97%
Residential loans	287	Fair value of property or collateral	Appraised value less 7% selling cost	42-65%	61%
Home equity lines of credit	12	Fair value of property or collateral	Appraised value less 7% selling cost		N/A (2)
Total loans	\$2,767				
Real estate acquired in settlement of loans	\$1,189	Fair value of property or collateral	Appraised value less 7% selling cost	100%	100%

(1) Represent percent of outstanding principal balance.

(2) N/A - Not applicable. There is one loan in each fair value measurement type.

Significant increases (decreases) in any of those inputs in isolation would result in significantly higher (lower) fair value measurements.

12 · Termination of proposed merger and other matters

On December 3, 2014, HEI, NextEra Energy, Inc. (NEE) and two subsidiaries of NEE entered into an Agreement and Plan of Merger (the Merger Agreement), under which Hawaiian Electric was to become a subsidiary of NEE. The Merger Agreement contemplated that, prior to the Merger, HEI would distribute to its shareholders all of the common stock of ASB Hawaii, Inc. (ASB Hawaii), the parent company of ASB (such distribution referred to as the Spin-Off). The closing of the Merger was subject to various conditions, including receipt of regulatory approval from the PUC. In July 2016: (1) the PUC dismissed NEE and Hawaiian Electric's application requesting approval of the proposed Merger, (2) NEE terminated the Merger Agreement and (3) pursuant to the terms of the Merger Agreement, NEE paid HEI a \$90 million termination fee and \$5 million for the reimbursement of expenses associated with the transaction. In 2016, the Company recognized \$60 million of net income (\$2 million of net loss in each of the first and second quarters and \$64 million of net income in the third quarter), comprised of the termination fee (\$55 million), reimbursements of expenses from NEE and insurance (\$3 million), and additional tax benefits on the previously non-tax-deductible merger- and Spin-Off-related expenses incurred through June 30, 2016 (\$8 million), less merger- and Spin-Off-related expenses incurred in 2016 (\$6 million) (all net of tax impacts). The Spin-Off of ASB Hawaii was

cancelled as it was cross-conditioned on the merger consummation.

In May 2016, the Utilities had filed an application for approval of an liquefied natural gas (LNG) supply and transport agreement and LNG-related capital equipment, which application was conditioned on the PUC's approval of the proposed Merger. Subsequently, the Utilities terminated the LNG agreement and withdrew the application. In 2016, Hawaiian Electric

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recognized expenses related to the terminated LNG agreement of \$1 million, net of tax benefits, in each of the first and second quarters.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion updates "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in HEI's and Hawaiian Electric's 2016 Form 10-K and should be read in conjunction with such discussion and the 2016 annual consolidated financial statements of HEI and Hawaiian Electric and notes thereto included in HEI's and Hawaiian Electric's 2016 Form 10-K, as well as the quarterly (as of and for the three and six months ended June 30, 2017) financial statements and notes thereto included in this Form 10-Q.

HEI consolidated

RESULTS OF OPERATIONS

(in thousands, except per share amounts)	Three months ended June 30			%	Primary reason(s)*
	2017	2016	change		
Revenues	\$632,281	\$566,244	12		
Operating income	75,896	85,455	(11)	)	Increases for the electric utility and bank segments Decrease for the electric utility segment, partly offset by an increase at the bank segment and lower losses for the "other" segment
Net income for common stock	38,661	44,128	(12)	)	Lower net income for the electric utility segment, partly offset by higher net income at the bank segment and lower net loss for the "other" segment
Basic earnings per common share	\$0.36	\$0.41	(12)	)	Lower net income and the impact of higher weighted average shares outstanding
Weighted-average number of common shares outstanding	108,750	107,962	1		Issuances of shares under the HEI Dividend Reinvestment and Stock Purchase Plan and other plans
(in thousands, except per share amounts)	Six months ended June 30			%	Primary reason(s)*
	2017	2016	change		
Revenues	\$1,223,843	\$1,117,204	10		
Operating income	143,758	154,306	(7)	)	Increases for the electric utility and bank segments Decrease for the electric utility segment, partly offset by an increase at the bank segment and lower losses for the "other" segment
Net income for common stock	72,854	76,480	(5)	)	Lower net income for the electric utility segment, partly offset by higher net income at the bank segment and lower net loss for the "other" segment
Basic earnings per common share	\$0.67	\$0.71	(6)	)	Lower net income and the impact of higher weighted average shares outstanding
Weighted-average number of common shares outstanding	108,712	107,791	1		Issuances of shares under the HEI Dividend Reinvestment and Stock Purchase Plan and other plans

* Also, see segment discussions which follow.

HEI's consolidated ROACE was 12.1% for the twelve months ended June 30, 2017 and 8.8% for the twelve months ended June 30, 2016. The higher ROACE for the twelve months ended June 30, 2017 was largely due to the merger termination fee received in July 2016.

Dividends. The payout ratios for the first six months of 2017 and full year 2016 were 93% and 54%, respectively. HEI currently expects to maintain its dividend at its present level; however, the HEI Board of Directors evaluates the dividend quarterly and considers many factors in the evaluation, including but not limited to the Company's results of

operations, the long-term prospects for the Company and current and expected future economic conditions.

Economic conditions.

Note: The statistical data in this section is from public third-party sources that management believes to be reliable (e.g., Department of Business, Economic Development and Tourism (DBEDT), University of Hawaii Economic Research Organization, U.S. Bureau of Labor Statistics, Department of Labor and Industrial Relations (DLIR), Hawaii Tourism Authority (HTA), Honolulu Board of REALTORS® and national and local newspapers).

Hawaii's tourism industry, a significant driver of Hawaii's economy, ended the first half of 2017 with continued strong growth. Visitor expenditures increased 8.7% and arrivals increased 4.3% compared to the same time period in 2016. Looking ahead, the Hawaii Tourism Authority expects scheduled nonstop seats to Hawaii for the third quarter of 2017 to increase by 3.7% over the third quarter of 2016 driven primarily by an increase in seats from the East Coast and Japan.

Hawaii's unemployment rate remained relatively stable at 2.7% in June 2017, lower than the state's 3.1% rate in June 2016 and the June 2017 national unemployment rate of 4.4%.

Hawaii real estate activity, as indicated by the home resale market, experienced growth in median sales prices in 2017. Median sales prices for single family residential homes and condominiums on Oahu through June 2017 were higher by 3.2% and 3.6%, respectively, over the same time period in 2016. The number of closed sales for both single family residential homes and condominiums through June of 2017 were also up compared to same time period of 2016 by 4.4% and 6.0%, respectively.

Hawaii's petroleum product prices reflect supply and demand in the Asia-Pacific region and the price of crude oil in international markets. Following steady price increases through 2016, the price of crude oil has remained relatively stable through the first five months of 2017.

At its June 2017 meeting, the Federal Open Market Committee (FOMC) again increased the federal funds rate target. The FOMC raised the target range of "0.75% to 1%" to "1.0% to 1.25%". The FOMC has indicated a slipping in the inflation rate to 1.4% is temporary and is expected to rebound to the FOMC target of 2%.

Overall, Hawaii's economy is expected to be buoyed by a strong tourism industry. Risks remain stemming from geopolitical uncertainty and its impact on tourism and from the impact of the financial markets on real estate development and sales.

"Other" segment.

	Three months ended June 30		Six months ended June 30		
(in thousands)	2017	2016	2017	2016	Primary reason(s)
Revenues	\$77	\$100	\$172	\$168	
Operating loss	(3,947)	(5,455)	(9,183)	(11,524)	Second quarter and first six months of 2016 merger and spin-off-related expenses (see below), partly offset by higher other administrative and general expenses in the second quarter and first six months of 2017
Net loss	(3,716)	(5,014)	(6,801)	(10,702)	Lower operating loss, lower interest expense (first six months) and higher tax benefits (first six months) (due to non-deductibility of certain merger- and spin-off-related expenses in the first six months of 2016 and the recognition of excess tax benefits on share-based compensation after the adoption of ASU No. 2016-09 on January 1, 2017)

The "other" business segment includes results of the stand-alone corporate operations of HEI and ASB Hawaii, Inc. (ASBH), both holding companies; HEI Properties, Inc., a company which held passive, venture capital investments (all of which have been sold or abandoned prior to its dissolution in December 2015 and final winding up in June 2017); and The Old Oahu Tug Service, Inc., a maritime freight transportation company that ceased operations in 1999, but has remaining employee benefit payments; as well as eliminations of intercompany transactions. Expenses recorded at HEI related to the previously proposed merger with NEE and spin-off of ASBH amounted to \$2.0 million and \$3.5 million for the second quarter and six months ended June 30, 2016, respectively. See Note 12, "Termination of proposed merger and other matters."

FINANCIAL CONDITION

Liquidity and capital resources. The Company believes that its ability to generate cash, both internally from electric utility and banking operations and externally from issuances of equity and debt securities, commercial paper and bank borrowings, is adequate to maintain sufficient liquidity to fund its contractual obligations and commercial commitments, its forecasted capital expenditures and investments, its expected retirement benefit plan contributions and other cash requirements for the foreseeable future.

The consolidated capital structure of HEI (excluding deposit liabilities and other bank borrowings) was as follows:

(dollars in millions)	June 30, 2017		December 31, 2016	
Short-term borrowings—other than bank	\$50	1 %	\$—	— %
Long-term debt, net—other than bank	1,619	43	1,619	43
Preferred stock of subsidiaries	34	1	34	1
Common stock equity	2,075	55	2,067	56
	\$3,778	100%	\$3,720	100%

HEI's short-term borrowings and HEI's line of credit facility were as follows:

(in millions)	Average balance		Balance	
	Six months ended June 30, 2017	June 30, 2017	December 31, 2016	December 31, 2016
Short-term borrowings ¹				
Commercial paper	\$ 1	\$ 6	\$ —	\$ —
Line of credit draws	—	—	—	—
Undrawn capacity under HEI's line of credit facility		150	150	150

¹ This table does not include Hawaiian Electric's separate commercial paper issuances and line of credit facilities and draws, which are disclosed below under "Electric utility—Financial Condition—Liquidity and capital resources." The maximum amount of HEI's external short-term borrowings during the first six months of 2017 was \$6.0 million. As of July 27, 2017, HEI had \$7.3 million of outstanding commercial paper, and its line of credit facility was undrawn. HEI has a \$150 million line of credit facility. See Note 5 of the Condensed Consolidated Financial Statements. From December 7, 2016 to date, HEI satisfied the share purchase requirements of the HEI Dividend Reinvestment and Stock Purchase Plan (DRIP), HEIRSP and ASB 401(k) Plan through open market purchases of its common stock rather than through new issuances.

In December 2014, HEI filed an omnibus registration statement to register an indeterminate amount of debt and equity securities.

For the first six months of 2017, net cash provided by operating activities of HEI consolidated was \$186 million. Net cash used by investing activities for the same period was \$399 million, primarily due to Hawaiian Electric's consolidated capital expenditures and ASB's purchases of investment securities and net increase in loans held for investment, partly offset by ASB's receipt of repayments from investment securities, proceeds from the sale of commercial loans and Hawaiian Electric's contributions in aid of construction. Net cash provided by financing activities during this period was \$145 million as a result of several factors, including increases in short-term borrowings and ASB's deposit liabilities, proceeds from other bank borrowings and net increases in ASB's retail purchase agreements, partly offset by the payment of common stock dividends and repayments of other bank borrowings. Also included in cash provided by financing activities were proceeds from the issuance of special purpose revenue bonds (SPRBs), which were offset by the transfer of funds to a trustee for the redemption of previously issued SPRBs. Other than capital contributions from their parent company, intercompany services (and related intercompany payables and receivables), Hawaiian Electric's periodic short-term borrowings from HEI (and related interest) and the

payment of dividends to HEI, the electric utility and bank segments are largely autonomous in their operating, investing and financing activities. (See the electric utility and bank segments' discussions of their cash flows in their respective "Financial condition—Liquidity and capital resources" sections below.) During the first six months of 2017, Hawaiian Electric and ASB (through ASB Hawaii) paid cash dividends to HEI of \$44 million and \$19 million, respectively.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS AND FINANCIAL CONDITION

The Company's results of operations and financial condition can be affected by numerous factors, many of which are beyond the Company's control and could cause future results of operations to differ materially from historical results. For information about certain of these factors, see pages 47, 62 to 64, and 73 to 75 of HEI's MD&A included in Part II, Item 7 of HEI's 2016 Form 10-K.

Additional factors that may affect future results and financial condition are described on pages iv and v under "Cautionary Note Regarding Forward-Looking Statements."

MATERIAL ESTIMATES AND CRITICAL ACCOUNTING POLICIES

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ significantly from those estimates.

In accordance with SEC Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," management has identified the accounting policies it believes to be the most critical to the Company's financial statements—that is, management believes that these policies are both the most important to the portrayal of the Company's results of operations and financial condition, and currently require management's most difficult, subjective or complex judgments.

For information about these material estimates and critical accounting policies, see pages 48 to 49, 64 to 65, and 75 to 78 of HEI's MD&A included in Part II, Item 7 of HEI's 2016 Form 10-K.

Following are discussions of the results of operations, liquidity and capital resources of the electric utility and bank segments.

Electric utility

RESULTS OF OPERATIONS

Results.

Three months ended June 30		Increase	
2017	2016	(decrease)	(dollars in millions, except per barrel amounts)
\$557	\$495	\$62	Revenues. Net increase largely due to:
		\$55	higher fuel oil prices ¹
		11	higher purchased power energy costs ²
		(8)	lower RAM revenues due to expiration of 2013 settlement agreement that allowed the accrual of RAM revenues on January 1 (vs. June 1) for years 2014 to 2016 at Hawaiian Electric
		3	higher PPAC revenues
		2	higher RAM revenues
		(3)	lower KWH generated
141	92	49	Fuel oil expense. Increase due to higher fuel oil prices
153	139	14	Purchased power expense. Increase due to higher fuel oil prices
106	100	6	Operation and maintenance expenses. Net increase due to:
		1	higher overhaul costs due to timing
		1	ERP project costs commencing in 2017
		1	higher maintenance costs
		1	Grid modernization consultant costs
		1	write off of portion of deferred Geothermal RFP costs
		1	Property damage reserve for customer claim in 2017
		(1)	LNG consulting costs incurred in 2016 to negotiate an LNG contract that was subsequently terminated following HEI/NextEra merger termination
101	94	7	Other expenses. Increase due to higher revenue taxes from higher revenue, coupled with higher depreciation expense for plant investments in 2016
55	71	(16)	Operating income. Decrease due to lower RAM revenues and higher O&M and depreciation expenses
26	36	(10)	Net income for common stock. Decrease due to lower operating income, partially offset by resulting lower income taxes.
2,150	2,156	(6)	Kilowatthour sales (millions) ⁴
1,278	1,257	21	Cooling degree days (Oahu)
\$69.86	\$44.98	\$24.88	Average fuel oil cost per barrel ¹

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Six months ended June 30		Increase	
2017	2016	(decrease)	(dollars in millions, except per barrel amounts)
\$1,075	\$977	\$98	Revenues. Net increase largely due to:
		\$90	higher fuel oil prices ¹
		33	higher purchased power energy costs ²
		(20)	lower RAM revenues due to expiration of 2013 settlement agreement that allowed the accrual of RAM revenues on January 1 (vs. June 1) for years 2014 to 2016 at Hawaiian Electric
		3	higher RAM revenues
		(2)	lower PPAC revenues
		(3)	lower KWH purchased
		(2)	lower KWH generated
286	206	80	Fuel oil expense. Increase due to higher fuel oil prices
280	255	25	Purchased power expense. Increase due to higher fuel oil prices
207	203	4	Operation and maintenance expenses. Net increase due to:
		2	higher overhaul costs due to timing
		2	ERP project costs commencing in 2017
		2	higher maintenance costs
		1	Grid modernization consultant costs
		1	write off of portion of deferred Geothermal RFP costs
		1	Property damage reserve for customer claim in 2017
		1	additional reserves for environmental costs in 2017 ³
		(4)	PSIP consulting costs incurred in 2016, in order to complete the PSIP update in April 2016
		(3)	LNG consulting costs incurred in 2016 to negotiate an LNG contract that was subsequently terminated following HEI/NextEra merger termination
199	187	12	Other expenses. Increase due to higher revenue taxes from higher revenue, coupled with higher depreciation expense for plant investments in 2016
104	126	(22)	Operating income. Decrease due to lower RAM revenues and higher O&M and depreciation expenses
47	61	(14)	Net income for common stock. Decrease due to lower operating income, partially offset by resulting lower income taxes.
4,188	4,241	(53)	Kilowatthour sales (millions) ⁴
2,162	2,141	21	Cooling degree days (Oahu)
\$67.78	\$49.05	\$18.73	Average fuel oil cost per barrel ¹
460,858,893	458,893	1,965	Customer accounts (end of period)

¹ The rate schedules of the electric utilities currently contain energy cost adjustment clauses (ECACs) through which changes in fuel oil prices and certain components of purchased energy costs are passed on to customers.

² The rate schedules of the electric utilities currently contain purchase power adjustment clauses (PPAC) through which changes in purchase power expenses (except purchased energy costs) are passed on to customers.

³ Increase reserve for additional costs for investigation of PCB contamination onshore and offshore of Waiiau Power Plant

⁴

KWH sales were lower when compared to the same quarter in the prior year due largely to continued energy efficiency and conservation efforts by customers and increasing levels of private customer-sited renewable generation.

Hawaiian Electric's consolidated ROACE was 7.2% for the twelve months ended June 30, 2017, and 8.0% for the twelve months ended June 30, 2016.

The Utilities' consolidated KWH sales have declined each year since 2007. Based on expectations of additional customer renewable self-generation and energy-efficiency installations, the Utilities' full year 2017 KWH sales are expected to be below the 2016 level.

The net book value (cost less accumulated depreciation) of utility property, plant and equipment (PPE) as of June 30, 2017 amounted to \$4 billion, of which approximately 25% related to production PPE, 66% related to transmission and distribution PPE, and 9% related to other PPE. Approximately 11% of the total net book value relates to generation PPE that has been deactivated or that the Utilities plan to deactivate or decommission. See “Adequacy of supply” below. See “Economic conditions” in the “HEI Consolidated” section above.

Executive overview and strategy. The Utilities provide electricity on all the principal islands in the state other than Kauai and operate five separate grids. The Utilities’ mission is to provide innovative energy leadership for Hawaii, to meet the needs and expectations of customers and communities, and to empower them with affordable, reliable and clean energy. The goal is to create a modern, flexible and dynamic electric grid that enables an optimal mix of distributed energy resources (such as private rooftop solar), demand response and grid-scale resources to achieve the statutory goal of 100% renewable energy by 2045.

Transition to renewable energy. The Utilities are committed to assisting the State of Hawaii in achieving its Renewable Portfolio Standard goal of 100% renewable energy by 2045. Hawaii’s Renewable Portfolio Standards (RPS) law was revised in the 2015 Legislature and requires electric utilities to meet an RPS of 15%, 30%, 40%, 70% and 100% by December 31, 2015, 2020, 2030, 2040 and 2045, respectively. Energy savings resulting from demand-side management (DSM) energy efficiency programs and solar water heating do not count toward these RPS. The Utilities have been successful in adding significant amounts of renewable energy resources to their electric systems and exceeded the 2015 RPS goal. The Utilities’ RPS for 2016 was about 26% and on its way to achieving the 2020 RPS goal of 30%. The Utilities led the nation in 2016 and 2015 in the percentage of its customers who have installed PV systems. (See “Developments in renewable energy efforts” below).

In 2014, Hawaiian Electric, Hawaii Electric Light and Maui Electric filed proposed Power Supply Improvement Plans (PSIPs) with the PUC, as required by PUC orders issued in April 2014. Updated PSIPs were filed in April 2016 providing plans to achieve 100% renewable energy using a diverse mix of energy resources by 2045. Under these plans, the Utilities will support sustainable growth of private rooftop solar, expand use of energy storage systems, empower customers by developing smart grids and offer new products and services to customers (e.g., community solar, microgrids and voluntary “demand response” programs). In December 2016, the Utilities filed a PSIP Update Report as ordered by the PUC. The updated plans describe greater and faster expansion of the Utilities’ renewable energy portfolio than in the plans filed in April 2016, and emphasize work that is in progress or planned over the next five years on each of the five islands the Utilities serve. The plans include the continued growth of private rooftop solar and describe the grid and generation modernization work needed to reliably integrate an estimated total of 165,000 private systems by 2030, more than double today’s total of 79,000, and additional grid-scale renewable energy resources. The Utilities already have the highest percentage of customers using private rooftop solar of any utility in the U.S. and customer-sited resources are seen as a key contributor to the growth of the renewable portfolio on every island. In addition, the plans forecast the addition of 360 MW of grid-scale solar and 157 MW of grid-scale wind, with 32 MW derived from community-based renewable energy (CBRE). The plans also include 115 MW from Demand Response (DR) programs, which can shift customer use of electricity to times when more renewable energy is available, potentially making room to add even more renewable resources. Unlike the April 2016 updated PSIPs, the December 2016 update does not include the use of LNG to generate power in the near-term or the Kahe 3x1 Combined Cycle Plant. While LNG remains a potential lower-cost bridge fuel to be evaluated, the Utilities’ priority is to continue replacing fossil fuel generation with renewables over the next five years as federal tax incentives for renewables begin to phase out. An interisland cable is not in the near-term plan, which states that its costs and benefits should continue to be evaluated. In July 2017, the PUC accepted the Utilities’ PSIP December 2016 Update Report and closed the proceeding. See “April 2014 regulatory orders” in Note 3 of the Condensed Consolidated Financial Statements.

On October 1, 2015, Hawaiian Electric, Hawaii Electric Light and Maui Electric filed a proposed CBRE program and tariff with the PUC that would allow customers who cannot, or chose not to, take advantage of private rooftop solar to receive the benefits of renewable energy to help offset their monthly electric bills and support clean energy for Hawaii. In November 2015, the PUC suspended the tariff submittal and opened an investigatory docket. In February 2017, the PUC issued a proposed CBRE Program Framework and a Proposed Model Tariff Language, which

significantly increased the scope of the program. Under the proposed CBRE Program Framework, the CBRE program will utilize a phased approach. The Program Framework proposes a Phase 1 with an 80 MW capacity statewide with 73 MW allocated to the Utilities' service territories. During Tranche A of the CBRE Phase 1 Program, the Utilities' primary role is to serve as the program administrator. In Tranche B, the Utilities are allowed to develop 9 MW in the service territories, 75% of the capacity is reserved for low-to-moderate income subscribers. In March 2017, the Utilities submitted comments to the Program Framework, which identified certain concerns should the proposed CBRE Program Framework be adopted and requested a technical conference before a decision is issued. In June 2017, a technical conference with the PUC was completed with the Utilities, the Consumer Advocate and industry stakeholders. The Utilities are awaiting the PUC's decision on the CBRE program.

After launching a smart grid customer engagement plan during the second quarter of 2014, Hawaiian Electric replaced approximately 5,200 residential and commercial meters with smart meters, 160 direct load control switches, fault circuit

indicators and remote controlled switches in selected areas across Oahu as part of the Smart Grid Initial Phase implementation. Also under the Initial Phase a grid efficiency measure called Volt/Var Optimization (or Conservation Voltage Reduction) was enabled, customer energy portals were launched and are available for customer use and a PrePay Application was launched. The Initial Phase implementation was completed in 2015. The smart grid provides benefits such as customer tools to manage their electric bills, potentially shortening outages and enabling the Utilities to integrate more low-cost renewable energy, like wind and solar, which will reduce Hawaii's dependence on imported oil.

In March 2016, the Utilities sought PUC approval to commit funds for an expansion of the smart grid project. The proposed smart grid project was estimated to cost \$340 million and to be implemented over 5 years. On January 4, 2017, the PUC issued an order dismissing the application without prejudice and directing the Utilities to submit a Grid Modernization Strategy.

The PUC indicated that the overall goal of the Grid Modernization Strategy is to deploy modern grid investments at an appropriate priority, sequence and pace to cost-effectively maximize flexibility, minimize the risk of redundancy and obsolescence, deliver customer benefits and enable greater DER and renewable energy integration. On June 30, 2017, the Utilities filed an initial draft of the Grid Modernization Strategy. The draft strategy describes how new technology will help triple private rooftop solar and make use of rapidly evolving products including storage and advanced inverters. The first segment of the modernization is estimated at about \$205 million over six years. The Utilities will continue to get feedback from customers and stakeholders as they refine the strategy for the final filing due on August 29, 2017.

Decoupling. See "Decoupling" in Note 3 of the Condensed Consolidated Financial Statements for a discussion of changes to the RAM component of decoupling.

As part of decoupling, the Utilities also track their rate-making ROACEs as calculated under the earnings sharing mechanism, which includes only items considered in establishing rates. At year-end, each utility's rate-making ROACE is compared against its ROACE allowed by the PUC to determine whether earnings sharing has been triggered. Annual earnings of a utility over and above the ROACE allowed by the PUC are shared between the utility and its ratepayers on a tiered basis. Results for 2016 and 2015 did not trigger the earnings sharing mechanism for the Utilities. For 2014, the earnings sharing mechanism was triggered for Maui Electric, and Maui Electric credited \$0.5 million to its customers for their portion of the earnings sharing during the period between June 2015 to May 2016. Earnings sharing credits are included in the annual decoupling filing for the following year.

Regulated Returns. Actual and PUC-allowed (as of June 30, 2017) returns were as follows:

%	Return on rate base (RORB)*ROACE**						Rate-making ROACE***		
	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Hawaiian Electric	Hawaii Electric Light	Maui Electric
Twelve months ended June 30, 2017									
Utility returns	6.77	6.71	6.83	7.25	6.91	7.50	7.99	7.54	7.96
PUC-allowed returns	8.11	8.31	7.34	10.00	10.00	9.00	10.00	10.00	9.00
Difference	(1.34)	(1.60)	(0.51)	(2.75)	(3.09)	(1.50)	(2.01)	(2.46)	(1.04)

* Based on recorded operating income and average rate base, both adjusted for items not included in determining electric rates.

** Recorded net income divided by average common equity.

*** ROACE adjusted to remove items not included by the PUC in establishing rates, such as incentive compensation.

The gap between PUC-allowed ROACEs and the ROACEs actually achieved is primarily due to: the consistent exclusion of certain expenses from rates, the recognition of annual RAM revenues on June 1 annually rather than on January 1, the low RBA interest rate (currently a short-term debt rate rather than the actual cost of capital), O&M increases and return on capital additions since the last rate case in excess of indexed escalations, and the portion of the pension regulatory asset not earning a return due to pension contributions and pension costs in excess of the pension amount in rates.

The PUC approved a two-year special medical needs pilot program, which will provide residential customers who depend on life support a discounted non-fuel energy charge. The program will be effective from April 1, 2017 to

March 31, 2019, with a maximum savings of \$20 per month per participant and limited to 2,000 participants. The discount will not be reflected as part of the target adjusted revenues in the RBA Provision.

Most recent rate proceedings. Unless otherwise agreed or ordered, each electric utility is currently required by PUC order to initiate a rate proceeding every third year (on a staggered basis) to allow the PUC and the Consumer Advocate to regularly evaluate decoupling and to allow the utility to request electric rate increases to cover rising operating costs and the cost of plant and equipment, including the cost of new capital projects to maintain and improve service reliability. The PUC may grant an interim increase within 10 to 11 months following the filing of an application, but there is no guarantee of such an interim increase and interim amounts collected are refundable, with interest, to the extent they exceed the amount approved in the

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PUC's final D&O. The timing and amount of any final increase is determined at the discretion of the PUC. The adoption of revenue, expense, rate base and cost of capital amounts (including the ROACE and RORB) for purposes of an interim rate increase does not commit the PUC to accept any such amounts in its final D&O.

Test year (dollars in millions)	Date (filed/ implemented)	Amount	% over rates in effect	ROA (%)	ROB (%)	Rate base	Common equity %	Stipulated agreement reached with Consumer Advocate
Hawaiian Electric								
2011 (1)								
Request	7/30/10	\$ 113.5	6.6	10.75	8.54	\$1,569	56.29	Yes
Interim increase	7/26/11	53.2	3.1	10.00	8.11	1,354	56.29	
Interim increase (adjusted)	4/2/12	58.2	3.4	10.00	8.11	1,385	56.29	
Interim increase (adjusted)	5/21/12	58.8	3.4	10.00	8.11	1,386	56.29	
Final increase	9/1/12	58.1	3.4	10.00	8.11	1,386	56.29	
2014 (2)								
Request	6/27/14							
2017 (3)								
Request	12/16/16	\$ 106.4	6.9	10.60	8.28	\$2,002	57.36	
Hawaii Electric Light								
2010 (4)								
Request	12/9/09	\$ 20.9	6.0	10.75	8.73	\$487	55.91	Yes
Interim increase	1/14/11	6.0	1.7	10.50	8.59	465	55.91	
Interim increase (adjusted)	1/1/12	5.2	1.5	10.50	8.59	465	55.91	
Final increase	4/9/12	4.5	1.3	10.00	8.31	465	55.91	
2013 (5)								
Request	8/16/12	\$ 19.8	4.2	10.25	8.30	\$455	57.05	
Closed	3/27/13							
2016 (6)								
Request	9/19/16	\$ 19.3	6.5	10.60	8.44	\$479	57.12	Yes
Statements of Probable Entitlement (which will be superceded by any PUC interim D&O)								
Hawaii Electric Light	7/21/17	11.1	3.8	9.75	7.94	482	56.69	
Consumer Advocate	7/21/17	9.9	3.4	9.5	7.8	482	56.69	
Maui Electric								
2012 (7)								
Request	7/22/11	\$ 27.5	6.7	11.00	8.72	\$393	56.85	Yes
Interim increase	6/1/12	13.1	3.2	10.00	7.91	393	56.86	
Final increase	8/1/13	5.3	1.3	9.00	7.34	393	56.86	
2015 (8)								
Request	12/30/14							
2018 (9)								

Note: The "Request Date" reflects the application filing date for the rate proceeding. All other line items reflect the effective dates of the revised schedules and tariffs as a result of PUC-approved increases.

(1) Hawaiian Electric filed a request with the PUC for a general rate increase of \$113.5 million, based on depreciation rates and methodology as proposed by Hawaiian Electric in a separate depreciation proceeding. Hawaiian Electric's request was primarily to pay for major capital projects and higher O&M costs to maintain and improve

service reliability and to recover the costs for several proposed programs to help reduce Hawaii's dependence on imported oil, and to further increase reliability and fuel security.

The \$53.2 million, \$58.2 million and \$58.8 million interim increases, and the \$58.1 million final increase, include the \$15 million in annual revenues that were being recovered through the decoupling RAM prior to the first interim increase.

(2) See "Hawaiian Electric 2014 test year rate case" below.

(3) See "Hawaiian Electric 2017 test year rate case" below.

Hawaii Electric Light's request was primarily to cover investments for system upgrade projects, two major transmission line upgrades and increasing O&M expenses. On February 8, 2012, the PUC issued a final D&O, which reflected the approval of decoupling and cost-recovery mechanisms, and on February 21, 2012, Hawaii Electric Light filed its revised tariffs to reflect the increase in rates. On April 4, 2012, the PUC issued an order approving the revised tariffs, which became effective April 9, 2012. Hawaii Electric Light implemented the (4) decoupling mechanism and began tracking the target revenues and actual recorded revenues via a revenue balancing account. Hawaii Electric Light also reset the heat rates and implemented heat rate deadbands and the PPAC, which provides a surcharge mechanism that more closely aligns cost recovery with costs incurred. The revised tariffs reflect a lower increase in annual revenue requirement compared to the interim increase due to factors that became effective concurrently with the revised tariffs (lower depreciation rates and lower ROACE) and, therefore, no refund to customers was required.

(5) Hawaii Electric Light's request was to pay for O&M expenses and additional investments in plant and equipment required to maintain and improve system reliability and to cover the increased costs to support the integration of more renewable energy generation. As a result of a 2013 agreement with the Consumer Advocate, which was approved by the PUC in March 2013, the rate case was withdrawn and the docket was closed.

Parties settled on all issues except whether the stipulated ROACE of 9.75% should be reduced by up to 25 basis points for the impact of decoupling. Hawaii Electric Light's position is that the ROACE that should be used to calculate the interim increase is 9.75% and the Consumer Advocate's position is that the ROACE that should be (6) used to calculate the interim should be 9.50%. Parties filed separate statement of probable entitlement. The table shows each party's proposed interim revenue increase based on their respective proposed ROACE. See also "Hawaii Electric Light 2016 test year rate case" below.

(7) Maui Electric's request was to pay for O&M expenses and additional investments in plant and equipment required to maintain and improve system reliability and to cover the increased costs to support the integration of more renewable energy generation. The final D&O approved an increase in annual revenue of \$5.3 million, which was \$7.8 million less than the interim increase in annual revenues that had been in effect since June 1, 2012. Maui Electric refunded to customers approximately \$9.7 million (which included interest accrued) between September 2013 and early November 2013.

(8) See "Maui Electric 2015 test year rate case" below.

(9) See "Maui Electric 2018 test year rate case" below.

Hawaiian Electric 2014 test year rate case. On June 27, 2014, Hawaiian Electric submitted an abbreviated rate case filing (abbreviated filing), stating that it intends to forgo the opportunity to seek a general rate increase in base rates and, if approved, this filing would result in no change in base rates. Hawaiian Electric stated that it is foregoing a rate increase request in recognition that its customers are already in a challenging high electricity bill environment, and further explained its view that the abbreviated filing satisfies the obligation to file a general rate case under the three-year cycle established by the PUC in the decoupling final D&O.

On December 27, 2016, the PUC issued an order consolidating the filings for this rate case with the Hawaiian Electric 2017 test year rate case and closed the docket.

See "Hawaiian Electric consolidated 2014 test year abbreviated and 2017 test year cases" in Note 3 of the Condensed Consolidated Financial Statements.

Maui Electric 2015 test year rate case. On December 30, 2014, Maui Electric filed its abbreviated 2015 test year rate case filing. In recognition that its customers have been enduring a high bill environment, Maui Electric proposed no change to its base rates, thereby forgoing the opportunity to seek a general rate increase. Maui Electric stated that, if it were to seek an increase in base rates, its requested increase in revenue, based on its revenue requirement for a normalized 2015 test year, would have been \$11.6 million, or 2.8%, over revenues at current effective rates with estimated 2015 RAM revenues. The indicated normalized 2015 test year revenue requirement is based on an estimated cost of common equity of 10.75%.

Management cannot predict whether the PUC will accept this abbreviated filing to satisfy Maui Electric's obligation to file a rate case in 2015, whether additional material will be required to be submitted, whether Maui Electric will be required to proceed with a traditional rate proceeding or whether the rate case will be consolidated into the 2018 rate

case filing.

Hawaii Electric Light 2016 test year rate case. On September 19, 2016, Hawaii Electric Light filed an application with the PUC for a general rate increase of \$19.3 million over revenues at current effective rates (for a 6.5% increase in revenues), based on an 8.44% rate of return (which incorporates a return on equity of 10.60%). The last rate increase in base rates for Hawaii Electric Light was in January 2011. The \$19.3 million requested is to cover higher operating costs (including expanded vegetation management focusing on albizia tree removal and increased pension costs) and system upgrades to increase reliability, improve customer service and integrate more renewable energy. As part of this case, Hawaii Electric Light is also taking steps towards innovative ratemaking by proposing implementation of performance based regulation (PBR) mechanisms to measure and link certain revenues to its performance in areas of customer service, reliability and communication relating to the private rooftop solar interconnection process. Hawaii Electric Light proposed an expansion of the range of fuel usage efficiencies under which fuel costs would be fully passed through to customers, and an additional trigger that would allow a re-establishment of fuel usage efficiency targets under certain conditions. In addition, Hawaii Electric Light proposed an equal sharing of fuel expenses outside the fuel usage efficiency target range.

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The PUC held public hearings for this rate case in December 2016. On April 13, 2017, the PUC issued an order allowing the County of Hawaii to participate in the proceeding and denying the motions to intervene of two other parties.

On April 28, 2017, the Consumer Advocate filed its testimony in the proceeding, recommending an increase of \$2.7 million over revenues at current effective rates (for a 0.9% increase in revenues), based on a 7.29% rate of return (which incorporates a return on equity of 8.75%). On May 25, 2017, the County of Hawaii filed its testimony in the proceeding, recommending reforms in rate design in an effort to support both renewable resources and the financial viability of the transmission and distribution infrastructure that is needed to support those resources.

On June 23, 2017, Hawaii Electric Light filed its rebuttal testimonies, proposing an increase of \$16.0 million over revenues at current effective rates based on a rate of return of 8.42% and a return on equity of 10.6%.

On July 11, 2017, Hawaii Electric Light and the Consumer Advocate filed a Stipulated Settlement Letter, which documented agreements reached with the Consumer Advocate on all of the issues in the proceeding, except for the narrowed rate of ROACE issue of whether the stipulated ROACE should be reduced from 9.75% (by up to 25 basis points) based solely on the impact of decoupling, considering current circumstances and relevant precedents. The Parties agree that this narrowed issue is to be addressed through the submission of opening and closing briefs, without the need for an evidentiary hearing on the ROACE issue. On July 14, 2017, the PUC issued a letter canceling previously scheduled evidentiary hearings. On July 21, 2017, the Parties filed separate statements of probable entitlement, proposing the amount of interim revenue increase according to their respective proposed ROACE. See table above. According to State law, an interim D&O should be issued by August 21, 2017.

Hawaiian Electric 2017 test year rate case. On December 16, 2016, Hawaiian Electric filed an application with the PUC for a general rate increase of \$106.4 million over revenues at current effective rates (for a 6.9% increase in revenues), for a 2017 test year. The request is based on an 8.28% rate of return (which incorporates a return on equity of 10.6% and a capital structure that includes a 57.4% common equity capitalization) on a \$2.0 billion rate base. The \$106.4 million request is primarily to pay for operating costs and for system upgrades to increase reliability, improve customer service and integrate more renewable energy. The application is also proposing a step adjustment to increase base rates by an additional \$20.6 million when the Schofield Generation Station is placed in service, which is expected in the second quarter of 2018. As in Hawaii Electric Light's rate increase application filed in September 2016, Hawaiian Electric's application is taking steps toward innovative ratemaking by proposing implementation of PBR mechanisms related to its performance in areas of customer service, reliability and communication relating to the private rooftop solar interconnection process. Hawaiian Electric proposed an expansion of the range of fuel usage efficiencies under which fuel costs would be fully passed through to customers, and an additional trigger that would allow a re-establishment of fuel usage efficiency targets under certain conditions. On February 22, 2017, the PUC held public hearings for this rate case. On June 28, 2017, the PUC issued an order denying motions to intervene but allowing limited participant status to six organizations. The procedural schedule for this rate case includes an interim D&O tentatively scheduled for December 15, 2017 and an evidentiary hearing in early March 2018.

See "Hawaiian Electric consolidated 2014 test year abbreviated and 2017 test year cases" in Note 3 of the Condensed Consolidated Financial Statements.

Maui Electric 2018 test year rate case. On June 9, 2017, Maui Electric filed a notice of intent with the PUC to file a general rate case application by December 30, 2017 for a 2018 test year. The rate case filing is required to satisfy the obligation to file a general rate case under the three-year rate case cycle established by the PUC in the final D&O in the decoupling proceeding.

Performance-based regulation. In the Hawaii Electric Light 2016 test year rate case, and the Hawaiian Electric 2017 test year rate case, the Utilities recommended that a separate investigatory docket be opened to evaluate PBR on a broader scale that can be implemented across the Utilities, and to fully develop a comprehensive PBR Framework. PBR refers to different ways in which regulators have modified their regulatory approach in an attempt to strengthen financial incentives for Utilities to achieve desired outcomes. In its April 27, 2017 order in the Decoupling Investigative proceeding, the PUC stated that it would initiate a separate investigative docket to examine a full range of Performance Incentive Mechanism and PBR options.

Depreciation docket. In December 2016, the Utilities filed an application with the PUC for approval of changes in the depreciation and amortization rates and amortization period for contributions in aid of construction (CIAC). The application requests that the effective date of implementation of the change in depreciation and amortization rates and revised CIAC amortization period, as recommended by the 2015 Book Depreciation Study, coincide with the effective date of interim base rates (that include the increased expenses resulting from the new depreciation and amortization rates and change in CIAC amortization period) to be established in each of the Utilities' next general rate cases or the effective date of the decoupling RBA Rate Adjustment that incorporates the new depreciation and amortization rates for each utility, whichever is sooner.

Developments in renewable energy efforts. Developments in the Utilities' efforts to further their renewable energy strategy include renewable energy projects discussed in Note 3 of the Condensed Consolidated Financial Statements and the following:

In December 2013, Hawaiian Electric requested PUC approval for a waiver of the Na Pua Makani Power Partners, LLC's (NPM) proposed 24-MW wind farm located in the Kahuku area on Oahu from the competitive bidding process and the PPA for Renewable As-Available Energy dated October 3, 2013 between Hawaiian Electric and NPM for the proposed 24-MW wind farm. In December 2014, the PUC approved both the waiver request and the PPA. On September 15, 2016, Hawaiian Electric filed the Amended and Restated PPA, dated August 12, 2016, which reflects the completion of the interconnection requirements study, including, among other things, amendments related to the final design of the facility, scope of work, cost, schedule and reporting milestones. The PUC conducted a public hearing on February 2, 2017, regarding the request for PUC approval to construct an overhead 46 sub-transmission line to accommodate the interconnection of the NPM wind farm. This project is expected to be placed into service by August 31, 2019.

In July 2015, the PUC approved the PPA for the 27.6 MW Waianae Solar project that is being developed by Eurus Energy America. The project achieved commercial operations in January 2017 and is now the largest solar project in Hawaii.

In July 2015, Maui Electric signed two PPAs, with Kuia Solar and South Maui Renewable Resources (which subsequently assigned its PPA to SSA Solar of HI 2, LLC and SSA Solar of HI 3, LLC, respectively), each for a 2.87-MW solar facility. In February 2016, the PUC approved both PPAs, subject to certain conditions and modifications. The guaranteed commercial operations date for the facilities was December 31, 2016, however both projects are experiencing delays and are expected to be completed by the end of the fourth quarter in 2017.

In September 2015, the PUC approved Hawaiian Electric's 2-year biodiesel supply contract with Pacific Biodiesel Technologies, LLC (PBT) to supply 2 million to 3 million gallons of biodiesel at Campbell Industrial Park combustion turbine No. 1 (CIP CT-1) and the Honolulu International Airport Emergency Power Facility beginning in November 2015. The PBT contract is set to expire on November 2, 2018. PBT also has a spot buy contract with Hawaiian Electric to purchase additional quantities of biodiesel at or below the price of diesel. Some purchases of "at parity" biodiesel have been made under the spot purchase contract, which was recently extended through June 2018. REG Marketing & Logistics Group, LLC has a contingency supply contract with Hawaiian Electric to also supply biodiesel to CIP CT-1 in the event PBT is not able to supply necessary quantities. This contingency contract has been extended to November 2018, and will continue with no volume purchase requirements.

On April 28, 2017 Hawaiian Electric issued a Biofuel Supply Request for Proposal for 3.1 million gallons of biofuel per year for three years, to commence as early as November 2018 to be used as fuel for power generation at Hawaiian Electric's Schofield Generating Station, the Honolulu International Airport Emergency Power Facility and any other generating unit on Oahu, as necessary.

On May 5, 2016, Maui Electric filed a request for the PUC to open a docket and assign an Independent Observer to oversee the Maui Electric Dispatchable Firm Generation Request for Proposals. The solicitation intends to seek approximately 20 MW of new renewable generation capacity and approximately 20 MW of fuel flexible firm generation resources on the island of Maui by 2022.

On June 6, 2016, Hawaiian Electric filed a request for the PUC to open a docket and assign an Independent Observer to oversee the Hawaiian Electric Renewable Energy Request for Proposals. The solicitation intends to seek new renewable energy generation on the island of Oahu to be placed into service by the end of 2020, consistent with the Five-Year Action Plan proposed in the PSIP Update Report.

The Utilities began accepting energy from feed-in tariff projects in 2011. As of June 30, 2017, there were 30 MW, 3 MW and 4 MW of installed feed-in tariff capacity from renewable energy technologies at Hawaiian Electric, Hawaii Electric Light and Maui Electric, respectively.

As of June 30, 2017, there were approximately 325 MW, 75 MW and 86 MW of installed distributed renewable energy technologies (mainly PV) at Hawaiian Electric, Hawaii Electric Light and Maui Electric, respectively, for tariff-based private customer generation programs, namely NEM, Customer Grid Supply and Customer Self Supply. As of June 30, 2017, an estimated 27% of single family homes on the islands the Utilities serve have installed private

rooftop solar systems, and an estimated 29% of single family homes have installed, or have been approved to install, private rooftop solar systems. As of June 30, 2017, approximately 16% of the Utilities' total customers have solar systems.

On January 5, 2017, Hawaiian Electric issued an Onshore Wind Expression of Interest requesting expressions of interest from independent power producers that are capable of developing utility scale onshore wind projects that are eligible to capture the federal Investment Tax Credit for Large Wind on the island of Oahu. Responses have been accepted and are being evaluated.

On January 6, 2017, Hawaii Electric Light and Maui Electric requested the PUC to open dockets to allow them to seek proposals for new renewable energy generation on the islands of Hawaii, Maui, Molokai, and Lanai. On December 12, 2016, the Utilities issued a request for information asking interested landowners to provide information about properties on Oahu, Hawaii Island, Maui, Molokai and Lanai available for utility-scale renewable energy projects or for growing biofuel feedstock. Responses have been accepted and are being evaluated. Hawaiian Electric had PPAs to purchase solar energy with three affiliates of SunEdison. In February 2016, as a result of the project entities missing contract milestones, Hawaiian Electric terminated the original PPAs for the three projects. SunEdison filed Chapter 11 bankruptcy proceedings and during those proceedings, the three SunEdison affiliates were acquired by an affiliate of NRG Energy, Inc. (NRG). Hawaiian Electric then negotiated with NRG and its newly acquired affiliates and has entered into amended and restated PPAs for solar energy on Oahu with Waipio PV, LLC for 45.9 MW, Lanikuhana Solar, LLC for 14.7 MW and Kawailoa Solar, LLC for 49.0 MW. On July 27, 2017, the PUC approved the three NRG PPAs, subject to modifications and conditions. The three projects are expected to be in service by the end of 2019.

Adequacy of supply.

Hawaiian Electric. In January 2017, Hawaiian Electric filed its 2017 Adequacy of Supply (AOS) letter, which indicated that based on its October 2016 sales and peak forecast for the 2017 - 2021 time period, Hawaiian Electric's generation capacity will be sufficient to meet reasonably expected demands for service and provide reasonable reserves for emergencies through 2018, but may have shortfalls in meeting the Utilities' generating system reliability guideline. The calculated reliability guideline shortfalls are relatively small and Hawaiian Electric can implement mitigation measures.

In accordance to its planning criteria, Hawaiian Electric deactivated two fossil fuel generating units from active service at its Honolulu Power Plant in January 2014 and anticipates deactivating two additional fossil fuel units at its Waiau Power Plant in the 2022 timeframe. Hawaiian Electric acquired new firm capacity with the commissioning of the State of Hawaii Department of Transportation's emergency power facility in June 2017. Hawaiian Electric is proceeding with a future firm capacity addition with the U.S. Department of the Army for a utility owned and operated renewable, dispatchable, including black start capabilities, generation security project on federal lands, which is expected to be in service in the second quarter of 2018. Hawaiian Electric is continuing negotiations with firm capacity IPPs on Oahu. On August 1, 2016, Hawaiian Electric and Kalaeloa entered into an agreement that neither party will give written notice of termination of the Kalaeloa PPA prior to October 31, 2017. The PPA with AES Hawaii is scheduled to expire in 2022.

Hawaii Electric Light. In January 2017, Hawaii Electric Light filed its 2017 AOS letter, which indicated that Hawaii Electric Light's generation capacity through 2019 is sufficient to meet reasonably expected demands for service and provide for reasonable reserves for emergencies. Additional generation from other renewable resources could be added in the 2018-2025 timeframe.

Maui Electric. In January 2017, Maui Electric filed its 2017 AOS letter, which indicated that Maui Electric's generation capacity for the islands of Lanai and Molokai for the next three years is sufficiently large to meet all reasonably expected demands for service and provide reasonable reserves for emergencies. The 2017 AOS letter also indicated that without the peak reduction benefits of demand response but with the equivalent firm capacity value of wind generation, Maui Electric expects to have a small reserve capacity shortfall from 2017 to 2022 on the island of Maui. Maui Electric is evaluating several measures to mitigate the anticipated reserve capacity shortfall. Maui Electric anticipates needing a significant amount of additional firm capacity on Maui in the 2022 timeframe after the planned retirement of the Kahului Power Plant.

In February 2014, Maui Electric deactivated two fossil fuel generating units, with a combined rating of 11.4 MW-net, at its Kahului Power Plant. Due to various system conditions including lack of wind generation, approaching storms and scheduled and unscheduled outages of generating units, transmission lines and independent power producers, the two deactivated units at Kahului Power Plant were reactivated for several days in 2015 and 2016. Due to the frequency of reactivations of Kahului Units 1 and 2 to meet system requirements, these units were removed from deactivated status and designated as reactivated in September 2016. Considering the time needed to acquire replacement firm generating capacity, Maui Electric now anticipates the retirement of all generating units at the

Kahului Power Plant, which have a combined rating of 32.3 MW, in the 2022 timeframe. A capacity planning analysis is in progress to better define generating needs and timing. Maui Electric plans to issue one or more RFPs for energy storage, demand response and firm generating capacity, and to make system improvements needed to ensure reliability and voltage support in this timeframe. In May 2016, Maui Electric requested that the PUC open a new docket for Maui Electric's competitive bidding process for additional firm capacity resources. In September 2016, Maui Electric submitted an application to purchase and install three temporary mobile distributed generation diesel engines to address increasing reserve capacity shortfalls on the island of Maui, but in February 2017 Maui Electric requested the PUC to suspend the proceeding until the progress in the demand response programs and the DR portfolio proceeding can be further evaluated.

Legislation and regulation. Congress and the Hawaii legislature periodically consider legislation that could have positive or negative effects on the Utilities and their customers. See “Recent tax developments” in Note 9 of the Condensed Consolidated Financial Statements. Also, in recent years, legislative, regulatory and governmental activities related to the environment, including proposals and rulemaking under the Clean Air Act and Clean Water Act (CWA), have increased significantly.

Clean Water Act Section 316(b). On August 14, 2014, the EPA published in the Federal Register the final regulations required by section 316(b) of the CWA designed to protect aquatic organisms from adverse impacts associated with existing power plant cooling water intake structures. The regulations were effective October 14, 2014 and apply to the cooling water systems for the steam generating units at three of Hawaiian Electric’s power plants on the island of Oahu. The regulations prescribe a process, including a number of required site-specific studies, for states to develop facility-specific entrainment and impingement controls to be incorporated in each facility’s National Pollutant Discharge Elimination System permit. Hawaiian Electric submitted the final site specific studies for the Honolulu and Waiau power plants to the DOH in December 2016, and the final site specific study for Kahe will be submitted to the DOH no later than October 2017. Hawaiian Electric will work with the DOH to identify the appropriate compliance methods for the 316(b) rule.

Mercury Air Toxics Standards. On February 16, 2012, the EPA published the final rule establishing the National Emission Standards for Hazardous Air Pollutants for fossil-fuel fired steam electrical generating units (EGUs) in the Federal Register. The final rule, known as the Mercury and Air Toxics Standards (MATS), applies to the 14 EGUs at Hawaiian Electric’s power plants. MATS established the Maximum Achievable Control Technology standards for the control of hazardous air pollutants emissions from new and existing EGUs. Hawaiian Electric initially selected a MATS compliance strategy based on switching to lower emission fuels, but has since continued developing and refining its emission control strategy. Hawaiian Electric’s liquid oil-fired steam generating units that are subject to the MATS limits are able to comply with the new standards without a significant fuel switch in combination with a suite of operational changes.

Hawaiian Electric has proceeded with the implementation of its MATS Compliance Plan and has met all compliance requirements to date.

PUC Commissioner. On May 19, 2017, the Governor appointed James Griffin as an interim PUC Commissioner, subject to Senate confirmation. Mr. Griffin was a researcher and a faculty member at the Hawaii Natural Energy Institute at the University of Hawaii at Manoa. He also previously served as Chief of Policy and Research at the PUC.

FINANCIAL CONDITION

Liquidity and capital resources. Management believes that Hawaiian Electric’s ability, and that of its subsidiaries, to generate cash, both internally from operations and externally from issuances of equity and debt securities and commercial paper and draws on lines of credit, is adequate to maintain sufficient liquidity to fund their respective capital expenditures and investments and to cover debt, retirement benefits and other cash requirements in the foreseeable future.

Hawaiian Electric’s consolidated capital structure was as follows:

(dollars in millions)	June 30, 2017		December 31, 2016	
Short-term borrowings	\$44	1 %	\$—	— %
Long-term debt, net	1,319	41	1,319	42
Preferred stock	34	1	34	1
Common stock equity	1,804	57	1,800	57
	\$3,201	100%	\$3,153	100%

Information about Hawaiian Electric's short-term borrowings (other than from Hawaii Electric Light and Maui Electric) and Hawaiian Electric's line of credit facility were as follows:

(in millions)	Average balance		Balance	
	Six months ended June 30, 2017	June 30, 2017	December 31, 2016	
Short-term borrowings ¹				
Commercial paper	\$ 3	\$ 44	\$ —	
Line of credit draws	—	—	—	
Borrowings from HEI	—	—	—	
Undrawn capacity under line of credit facility		200	200	

¹ The maximum amount of external short-term borrowings by Hawaiian Electric during the first six months of 2017 was \$44 million. As of June 30, 2017, Hawaiian Electric had short-term borrowings from Hawaii Electric Light and Maui Electric of \$4.1 million and \$1.0 million, respectively. As of July 27, 2017, Hawaiian Electric had \$33 million of outstanding commercial paper, no draws under its line of credit facility and no borrowings from HEI. Also, as of July 27, 2017, Hawaiian Electric had short-term borrowings from Hawaii Electric Light and Maui Electric of \$6.6 million and \$4.5 million, respectively, which intercompany borrowings are eliminated in consolidation. Hawaiian Electric has a \$200 million line of credit facility. See Note 5 of the Condensed Consolidated Financial Statements.

In May 2015, up to \$80 million of SPRBs (\$70 million for Hawaiian Electric, \$2.5 million for Hawaii Electric Light and \$7.5 million for Maui Electric) were authorized by the Hawaii legislature for issuance, with PUC approval, prior to June 30, 2020 to finance the Utilities' capital improvement programs.

On April 28, 2017, Hawaiian Electric, Hawaii Electric Light and Maui Electric received PUC approval to issue unsecured obligations bearing taxable interest and/or refunding SPRBs with principal amounts totaling up to \$252 million, \$88 million and \$75 million, respectively, to refinance three series of outstanding revenue bonds. The approval is limited to 2017, and an expedited approval procedure will apply for refinancings during January 2018 through December 2020. Pursuant to this approval, on June 29, 2017, the Department issued, at par, Refunding Series 2017A SPRBs in the aggregate principal amount of \$125 million with a maturity of May 1, 2026 and Refunding Series 2017B SPRBs in the aggregate principal amount of \$140 million with a maturity of March 1, 2037. See Note 5 of the Condensed Consolidated Financial Statements.

On January 26, 2017, Hawaiian Electric, Hawaii Electric Light and Maui Electric obtained PUC approval to issue, on or before December 31, 2017, unsecured obligations bearing taxable interest (Hawaiian Electric up to \$100 million, Hawaii Electric Light up to \$10 million and Maui Electric up to \$30 million), with the proceeds expected to be used, as applicable, to finance capital expenditures, repay long-term and/or short term debt used to finance or refinance capital expenditures and/or to reimburse funds used for payment of capital expenditures.

In March 2017 and amended in April 2017, the Utilities requested PUC approval to issue and sell each utility's common stock through December 31, 2021 (Hawaiian Electric's sale/s to HEI of up to \$150 million and Hawaii Electric Light's and Maui Electric's sale/s to Hawaiian Electric of up to \$10 million each) and the purchase of Hawaii Electric Light and Maui Electric common stock by Hawaiian Electric through December 31, 2021.

Cash flows. The following table reflects the changes in cash flows for the six months ended June 30, 2017 compared to the six months ended June 30, 2016:

(in thousands)	Six months ended		
	June 30, 2017	June 30, 2016	Change
Net cash provided by operating activities	\$ 150,676	\$ 194,124	\$(43,448)
Net cash used in investing activities	(178,259)	(180,191)	1,932
Net cash used in financing activities	(4,121)	(10,803)	6,682

Net cash provided by operating activities. Cash flows from operating activities generally relate to the amount and timing of cash received from customers and payments made to third parties. Using the indirect method of determining cash flows from operating activities, noncash expense items such as depreciation and amortization, as well as changes in certain assets and liabilities, are added to (or deducted from) net income.

The decrease in net cash provided by operating activities was impacted by the following:

Lower cash from an increase in accounts receivable due to timing and increase in fuel prices.

Lower cash from an increase in fuel oil stock due to higher fuel prices.

Lower cash from an increase in unbilled revenues due to higher fuel prices.

Lower cash from refund of federal income taxes based on bonus depreciation enacted in the fourth quarter of 2015 that was subsequently received in 2016 (similar treatment was not granted in the fourth quarter of 2016).

And partially offset by an increase in net cash from operating activities provided by the following:

Higher cash from an increase in accounts payable due to higher fuel prices.

Net cash used in investing activities. The increase in net cash used in investing activities was driven primarily by a capital goods tax credit, partially offset by an increase in capital expenditures related to construction activities.

Net cash used in financing activities. Financing activities provide supplemental cash for both day-to-day operations and capital requirements as needed. The decrease in net cash used in financing activities primarily reflect higher proceeds from short-term borrowings.

2017 forecast capital expenditures. For 2017, the Utilities forecast \$420 million of net capital expenditures, which could change over time based upon external factors such as the timing and scope of environmental regulations, unforeseen delays in permitting and timing of PUC decisions. Proceeds from the issuance of equity and long-term debt, cash flows from operating activities, temporary increases in short-term borrowings and existing cash and cash equivalents are expected to provide the forecasted \$420 million needed for the net capital expenditures in 2017 as well as to pay down commercial paper or other short-term borrowings, fund any unanticipated expenditures not included in the 2017 forecast such as increases in the costs or acceleration of the construction of capital projects, unanticipated capital expenditures that may be required by new environmental laws and regulations, unbudgeted acquisitions or investments in new businesses and significant increases in retirement benefit funding requirements.

Bank	Three months ended June 30		Increase	Primary reason(s)
(in millions)	2017	2016	(decrease)	
Interest income	\$59	\$54	\$ 5	The increase in interest income was the result of higher average earning asset balances and an increase in yields on earning assets. ASB's average loan portfolio balance for the three months ended June 30, 2017 increased by \$24 million compared to the same period in 2016 as average consumer, commercial real estate and home equity lines of credit balances increased by \$60 million, \$50 million and \$21 million, respectively. The growth in these loan portfolios was reflective of ASB's portfolio mix target and loan growth strategy. The average commercial loan balance decreased by \$99 million primarily due to a decrease in the syndicated national credit loan portfolio. The yield on earning assets increased by 7 basis points due to a shift in the mix of the loan portfolio with the growth in the commercial real estate and consumer loan portfolios, which resulted in an increase in loan portfolio yields of 19 basis points and repricing of adjustable rate commercial loans with the increase in the interest rate environment. The average investment securities portfolio balance increased by \$389 million due to the use of excess liquidity to purchase investments. The yield on the investment securities portfolio increased by 14 basis points as new investment purchase yields were higher due to the increase in short-term interest rates.
Noninterest income	16	17	(1)	Noninterest income decreased slightly for the three months ended June 30, 2017 compared to noninterest income for the three months ended June 30, 2016 due to lower mortgage banking income partly offset by higher bank owned life insurance income. Prior year's noninterest income included gains on sales of securities with no similar sales in 2017.
Revenues	75	71	4	
Interest expense	3	3	—	Interest expense was flat for the three months ended June 30, 2017 compared to the same period in 2016 as higher interest expense from the growth in term certificates was offset by lower interest expense on other borrowings as a result of lower repurchase agreements. Average deposit balances for the three months ended June 30, 2017 increased by \$487 million compared to the same period in 2016 due to an increase in core deposits and term certificates of \$327 million and \$160 million, respectively. Other borrowings decreased by \$84 million primarily due to a decrease in repurchase agreements. The interest-bearing liability rate decreased by 2 basis points.
Provision for loan losses	3	5	(2)	The provision for loan losses decreased by \$1.9 million for the three months ended June 30, 2017 compared to the provision for loan losses for the three months ended June 30, 2016. The provision for loan losses for 2017 was primarily due to increased loan loss reserves for the consumer loan portfolio. The provision for loan losses for 2016 was primarily due to increased reserves for growth in the loan portfolio, additional loan loss reserves for the consumer loan portfolio and loan loss reserves for commercial loans due to downgrades of specific commercial credits. Delinquency rates have decreased from 0.49% at June 30, 2016 to 0.44% at June 30, 2017. The annualized net charge-off ratio for the three months ended June 30, 2017 was 0.21% compared to an annualized net charge-off ratio of 0.15% for the same period in 2016. The increase in net charge-offs were due to an

increase in consumer loan portfolio charge-offs as a result of ASB's strategic expansion of its unsecured consumer loan product offering with risk-based pricing.

The increase in noninterest expense for the three months ended June 30, 2017 compared to the same period in 2016 was primarily due to higher compensation and employee benefits expenses as a result of higher performance-based compensation costs and higher employee benefit costs. Prior year's noninterest expense included costs related to the replacement and upgrade of the electronic banking platform.

Noninterest expense	45	43	2
Expenses	51	51	—
Operating income	24	20	4
Net income	17	13	4

Higher net interest income and lower provision for loan losses was partly offset by higher noninterest expenses and lower noninterest income.

	Six months ended June 30		Increase (decrease)	Primary reason(s)
(in millions)	2017	2016		
Interest income	\$117	\$108	\$ 9	The increase in interest income was the result of higher average earning asset balances and an increase in yields on earning assets. ASB's average loan portfolio balance for the six months ended June 30, 2017 increased by \$60 million compared to the same period in 2016 as average commercial real estate, consumer and home equity lines of credit balances increased by \$76 million, \$60 million and \$19 million, respectively. The growth in these loan portfolios was reflective of ASB's portfolio mix target and loan growth strategy. The average commercial loan balance decreased by \$89 million primarily due to a decrease in the syndicated national credit loan portfolio. The yield on earning assets increased by 6 basis points due to a shift in the mix of the loan portfolio with the growth in the commercial real estate and consumer loan portfolios, which resulted in an increase in loan portfolio yields of 16 basis points and repricing of adjustable rate commercial loans with the increase in the interest rate environment. The average investment securities portfolio balance increased by \$347 million due to the use of excess liquidity to purchase investments. The yield on the investment securities portfolio increased by 10 basis points as new investment purchase yields were higher due to the increase in short-term interest rates.
Noninterest income	31	32	(1)	Noninterest income decreased slightly for the six months ended June 30, 2017 compared to noninterest income for the six months ended June 30, 2016 due to lower mortgage banking income partly offset by higher bank-owned life insurance income.
Revenues	148	140	8	
Interest expense	6	6	—	Interest expense was flat for the six months ended June 30, 2017 compared to the same period in 2016 as higher interest expense from the growth in term certificates was offset by lower interest expense on other borrowings as a result of lower repurchase agreements. Average deposit balances for the six months ended June 30, 2017 increased by \$511 million compared to the same period in 2016 due to an increase in core deposits and term certificates of \$350 million and \$161 million, respectively. Other borrowings decreased by \$100 million primarily due to a decrease in repurchase agreements. The interest-bearing liability rate decreased by 3 basis points.
Provision for loan losses	7	10	(3)	The provision for loan losses decreased by \$2.8 million for the six months ended June 30, 2017 compared to the provision for loan losses for the six months ended June 30, 2016. The provision for loan losses for 2017 was primarily due to increased loan loss reserves for the consumer loan portfolio and additional loan loss reserves for the commercial real estate loan portfolio due to the downgrade of a commercial real estate relationship. The provision for loan losses for 2016 was primarily due to increased reserves for growth in the loan portfolio, additional loan loss reserves for the consumer loan portfolio and loan loss reserves for commercial loans due to downgrades of specific commercial credits. Delinquency rates have decreased from 0.49% at June 30, 2016 to 0.44% at June 30, 2017. The annualized net charge-off ratio for the six months ended June 30, 2017 was 0.25% compared to an annualized net charge-off ratio of 0.18% for the same period in 2016. The increase in net charge-offs were due to an increase in

				consumer loan portfolio charge-offs as a result of ASB’s strategic expansion of its unsecured consumer loan product offering with risk-based pricing.
				The increase in noninterest expense for the six months ended June 30, 2017 compared to the same period in 2016 was primarily due to higher compensation and employee benefits expenses as a result of higher performance-based compensation costs and higher employee benefit costs. Prior year’s noninterest expense included costs related to the replacement and upgrade of the electronic banking platform.
Noninterest expense	86	84	2	
Expenses	99	100	(1))
Operating income	49	40	9	Higher net interest income and lower provision for loan losses was partly offset by higher noninterest expenses and lower noninterest income.
Net income	33	26	7	

See Note 4 of the Condensed Consolidated Financial Statements and “Economic conditions” in the “HEI Consolidated” section above.

ASB continues to maintain its low-risk profile, strong balance sheet and straightforward community banking business model.

ASB's return on average assets, return on average equity and net interest margin were as follows:

	Three months ended June 30		Six months ended June 30	
(percent)	2017	2016	2017	2016
Return on average assets	1.02	0.86	1.00	0.85
Return on average equity	11.25	9.22	11.04	9.06
Net interest margin	3.68	3.58	3.68	3.60

Average balance sheet and net interest margin. The following tables provide a summary of average balances including major categories of interest-earning assets and interest-bearing liabilities:

(dollars in thousands)	Three months ended June 30					
	2017			2016		
	Average balance	Interest ¹ income/expense	Yield/rate (%)	Average balance	Interest ¹ income/expense	Yield/rate (%)
Assets:						
Interest-earning deposits	\$46,507	\$ 121	1.03	\$64,821	\$ 81	0.49
FHLB stock	11,759	57	1.96	11,284	44	1.58
Available-for-sale investment securities						
Taxable	1,267,945	6,481	2.04	894,684	4,318	1.93
Non-taxable	15,427	160	4.11	—	—	—
Total available-for-sale investment securities	1,283,372	6,641	2.07	894,684	4,318	1.93
Loans						
Residential 1-4 family	2,070,450	22,163	4.28	2,075,255	22,201	4.28
Commercial real estate	917,019	9,722	4.21	867,266	8,716	4.01
Home equity line of credit	877,462	7,248	3.31	856,960	6,989	3.28
Residential land	16,111	217	5.38	18,758	285	6.08
Commercial	663,200	7,090	4.27	762,247	7,595	3.99
Consumer	202,914	5,877	11.62	142,955	3,904	10.98
Total loans ^{2,3}	4,747,156	52,317	4.40	4,723,441	49,690	4.21
Total interest-earning assets ²	6,088,794	59,136	3.88	5,694,230	54,133	3.81
Allowance for loan losses	(56,715)			(52,749)		
Non-interest-earning assets	534,581			503,617		
Total assets	\$6,566,660			\$6,145,098		
Liabilities and shareholder's equity:						
Savings	\$2,274,832	\$ 386	0.07	\$2,099,422	\$ 343	0.07
Interest-bearing checking	908,864	59	0.03	834,821	42	0.02
Money market	146,962	45	0.12	165,433	52	0.13
Time certificates	679,866	1,821	1.07	520,151	1,254	0.97
Total interest-bearing deposits	4,010,524	2,311	0.23	3,619,827	1,691	0.19
Advances from Federal Home Loan Bank	101,335	788	3.08	101,648	785	3.06
Securities sold under agreements to repurchase	95,740	36	0.15	179,559	682	1.51
Total interest-bearing liabilities	4,207,599	3,135	0.30	3,901,034	3,158	0.32
Non-interest bearing liabilities:						
Deposits	1,664,592			1,568,725		
Other	99,710			98,678		
Shareholder's equity	594,759			576,661		
Total liabilities and shareholder's equity	\$6,566,660			\$6,145,098		

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Net interest income	\$ 56,001	\$ 50,975
Net interest margin (%) ⁴	3.68	3.58

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(dollars in thousands)	Six months ended June 30					
	2017			2016		
	Average balance	Interest ¹ income/expense	Yield/ rate (%)	Average balance	Interest ¹ income/expense	Yield/ rate (%)
Assets:						
Interest-earning deposits	\$69,421	\$307	0.88	\$72,070	\$180	0.49
FHLB stock	11,498	105	1.85	11,031	88	1.61
Available-for-sale investment securities						
Taxable	1,206,272	13,130	2.18	874,542	9,192	2.10
Non-taxable	15,427	310	4.00	—	—	—
Total available-for-sale investment securities	1,221,699	13,440	2.20	874,542	9,192	2.10
Loans						
Residential 1-4 family	2,071,931	43,789	4.23	2,075,890	44,521	4.29
Commercial real estate	913,940	19,134	4.18	837,837	16,880	4.02
Home equity line of credit	872,973	14,364	3.32	854,145	13,854	3.26
Residential land	17,057	495	5.80	18,482	561	6.07
Commercial	666,741	14,245	4.30	755,510	14,967	3.96
Consumer	195,158	11,032	11.40	135,572	7,344	10.89
Total loans ^{2,3}	4,737,800	103,059	4.36	4,677,436	98,127	4.20
Total interest-earning assets ²	6,040,418	116,911	3.88	5,635,079	107,587	3.82
Allowance for loan losses	(56,477)			(51,599)		
Non-interest-earning assets	527,302			500,412		
Total assets	\$6,511,243			\$6,083,892		
Liabilities and shareholder's equity:						
Savings	\$2,261,549	\$760	0.07	\$2,073,790	\$676	0.07
Interest-bearing checking	897,346	114	0.03	828,345	84	0.02
Money market	151,293	92	0.12	166,338	105	0.13
Time certificates	670,717	3,448	1.04	509,884	2,418	0.95
Total interest-bearing deposits	3,980,905	4,414	0.22	3,578,357	3,283	0.18
Advances from Federal Home Loan Bank	100,671	1,563	3.09	101,854	1,571	3.05
Securities sold under agreements to repurchase	94,713	77	0.16	193,296	1,381	1.42
Total interest-bearing liabilities	4,176,289	6,054	0.29	3,873,507	6,235	0.32
Non-interest bearing liabilities:						
Deposits	1,646,275			1,537,660		
Other	98,875			99,427		
Shareholder's equity	589,804			573,298		
Total liabilities and shareholder's equity	\$6,511,243			\$6,083,892		
Net interest income		\$110,857			\$101,352	
Net interest margin (%) ⁴			3.68			3.60

Interest income includes taxable equivalent basis adjustments, based upon a federal statutory tax rate of 35%, of \$0.06 million and nil for the three months ended June 30, 2017 and 2016, respectively and \$0.1 million and nil for the six months ended June 30, 2017 and 2016, respectively.

² Includes loans held for sale, at lower of cost or fair value.

Includes recognition of deferred loan fees of \$0.6 million and \$0.7 million for the three months ended June 30,

³ 2017 and 2016 and \$1.1 million and \$1.5 million for the six months ended June 30, 2017 and 2016, respectively, together with interest accrued prior to suspension of interest accrual on nonaccrual loans.

⁴ Defined as net interest income as a percentage of average total interest-earning assets.

Earning assets, costing liabilities and other factors. Earnings of ASB depend primarily on net interest income, which is the difference between interest earned on earning assets and interest paid on costing liabilities. The interest rate environment has been impacted by disruptions in the financial markets over a period of several years. These conditions have begun to moderate with the interest rate increases in the past year which resulted in an increase in ASB's net interest income and net interest margin.

Loan originations and mortgage-related securities are ASB's primary earning assets.

Loan portfolio. ASB's loan volumes and yields are affected by market interest rates, competition, demand for financing, availability of funds and management's responses to these factors. The composition of ASB's loans receivable was as follows:

(dollars in thousands)	June 30, 2017		December 31, 2016	
	Balance	% of total	Balance	% of total
Real estate:				
Residential 1-4 family	\$2,061,549	43.4	\$2,048,051	43.2
Commercial real estate	808,900	17.1	800,395	16.9
Home equity line of credit	883,135	18.6	863,163	18.2
Residential land	16,009	0.3	18,889	0.4
Commercial construction	116,548	2.5	126,768	2.7
Residential construction	10,759	0.2	16,080	0.3
Total real estate, net	3,896,900	82.1	3,873,346	81.7
Commercial	649,657	13.7	692,051	14.6
Consumer	201,199	4.2	178,222	3.7
	4,747,756	100.0	4,743,619	100.0
Less: Deferred fees and discounts	(3,122)		(4,926)	
Allowance for loan losses	(56,356)		(55,533)	
Total loans, net	\$4,688,278		\$4,683,160	

Home equity — key credit statistics. Attention has been given by regulators and rating agencies to the potential for increased exposure to credit losses associated with home equity lines of credit (HELOC) that were originated during the period of rapid home price appreciation between 2003 and 2007 as they have reached, or are starting to reach, the end of their 10-year, interest only payment periods. Once the interest only payment period has ended, payments are reset to include principal repayments along with interest. ASB does not have a large exposure to HELOCs originated between 2003 and 2007. Nearly all of the HELOC originations prior to 2008 consisted of amortizing equity lines that have structured principal payments during the draw period. These older equity lines represent 2% of the portfolio and are included in the amortizing balances identified in the loan portfolio table below.

	June 30,		December			
	2017	31, 2016	2017	31, 2016		
Outstanding balance of home equity loans (in thousands)	\$883,135	\$863,163				
Percent of portfolio in first lien position	46.2	% 45.1	%	%		
Annualized net charge-off (recovery) ratio	(0.03)	% 0.01	%	%		
Delinquency ratio	0.28	% 0.35	%	%		
			End of draw period – interest only		Current	
June 30, 2017	Total	Interest only	2017-2018	2019-2021	Thereafter	amortizing
Outstanding balance (in thousands)	\$883,135	\$701,709	\$62,453	\$101,546	\$537,710	\$181,426
% of total	100	% 79	% 7	% 11	% 61	% 21

The HELOC portfolio comprised 19% of the total loan portfolio and is generally an interest-only revolving loan for a 10-year period, after which time the HELOC outstanding balance converts to a fully amortizing variable rate term loan with a 20-year amortization period. This product type comprises 79% of the total HELOC portfolio and is the current product offering. Borrowers also have a "Fixed Rate Loan Option" to convert a part of their available line of credit into a 5, 7 or 10-year fully amortizing fixed rate loan with level principal and interest payments. As of June 30, 2017, approximately 19% of the portfolio balances were amortizing loans under the Fixed Rate Loan Option.

Loan portfolio risk elements. See Note 4 of the Condensed Consolidated Financial Statements.

Available-for-sale investment securities. ASB's investment portfolio was comprised as follows:

(dollars in thousands)	June 30, 2017		December 31, 2016	
	Balance	% of total	Balance	% of total
U.S. Treasury and federal agency obligations	\$186,583	14 %	\$192,281	18 %
Mortgage-related securities — FNMA, FHLMC and GNMA	1,100,876	85	897,474	81
Mortgage revenue bond	15,427	1	15,427	1
Total available-for-sale investment securities	\$1,302,886	100 %	\$1,105,182	100 %

Principal and interest on mortgage-related securities issued by Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Government National Mortgage Association (GNMA) are guaranteed by the issuer and, in the case of GNMA, backed by the full faith and credit of the U.S. government.

Deposits and other borrowings. Deposits continue to be the largest source of funds for ASB and are affected by market interest rates, competition and management's responses to these factors. Deposit retention and growth will remain challenging in the current environment due to competition for deposits and the low level of short-term interest rates. Advances from the FHLB of Des Moines and securities sold under agreements to repurchase continue to be additional sources of funds. As of June 30, 2017 and December 31, 2016, ASB's costing liabilities consisted of 97% deposits and 3% other borrowings. The weighted average cost of deposits for the first six months of 2017 and 2016 was 0.16% and 0.13%, respectively.

Federal Home Loan Bank of Des Moines. As of June 30, 2017 and December 31, 2016, ASB had \$100 million of advances outstanding at the FHLB of Des Moines. As of June 30, 2017, the unused borrowing capacity with the FHLB of Des Moines was \$1.8 billion. The FHLB of Des Moines will continue to be a source of liquidity for ASB.

Other factors. Interest rate risk is a significant risk of ASB's operations and also represents a market risk factor affecting the fair value of ASB's investment securities. Increases and decreases in prevailing interest rates generally translate into decreases and increases in the fair value of the investment securities, respectively. In addition, changes in credit spreads also impact the fair values of the investment securities.

As of June 30, 2017, ASB had an unrealized loss, net of taxes, on available-for-sale investment securities (including securities pledged for repurchase agreements) in AOCI of \$5.7 million compared to an unrealized loss, net of taxes, of \$7.9 million at December 31, 2016. See "Item 3. Quantitative and qualitative disclosures about market risk" for a discussion of ASB's interest rate risk sensitivity.

During the first six months of 2017, ASB recorded a provision for loan losses of \$6.7 million primarily due to increased loan loss reserves for the consumer loan portfolio and additional loan loss reserves for the commercial real estate loan portfolio due to the downgrade of a commercial real estate relationship. During the first six months of 2016, ASB recorded a provision for loan losses of \$9.5 million primarily due to increased reserves for growth in the loan portfolio, additional loan loss reserves for the consumer loan portfolio and loan loss reserves for commercial loans due to downgrades of specific commercial credits. Financial stress on ASB's customers may result in higher levels of delinquencies and losses.

(in thousands)	Six months ended		Year ended	
	June 30	2016	December 31,	2016
Allowance for loan losses, January 1	\$55,533	\$50,038	\$50,038	
Provision for loan losses	6,741	9,519	16,763	
Less: net charge-offs	5,918	4,226	11,268	
Allowance for loan losses, end of period	\$56,356	\$55,331	\$55,331	
Ratio of net charge-offs during the period to average loans outstanding (annualized)	0.25	% 0.18	% 0.24	%

We maintain a reserve for credit losses that consists of two components, the allowance for loan losses and a reserve for unfunded loan commitments (unfunded reserve). The level of the reserve for unfunded loan commitments is adjusted by recording an expense or recovery in other noninterest expense. As of June 30, 2017 and December 31, 2016, the reserve for unfunded loan commitments was \$1.7 million and \$1.8 million, respectively.

Legislation and regulation. ASB is subject to extensive regulation, principally by the OCC and the FDIC. Depending on ASB's level of regulatory capital and other considerations, these regulations could restrict the ability of ASB to compete with other institutions and to pay dividends to its shareholder. See the discussion below under "Liquidity and capital resources."

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Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Regulation of the financial services industry, including regulation of HEI, ASB Hawaii and ASB, has changed and will continue to change as a result of the enactment of the Dodd-Frank Act, which became law in July 2010. Importantly for HEI, ASB Hawaii and ASB, under the Dodd-Frank Act all of the functions of the Office of Thrift Supervision transferred on July 21, 2011 to the OCC, the FDIC, the FRB and the Consumer Financial Protection Bureau (Bureau). Supervision and regulation of HEI and ASB Hawaii, as thrift holding companies, moved to the FRB, and supervision and regulation of ASB, as a federally chartered savings bank, moved to the OCC. While the laws and regulations applicable to HEI and ASB did not generally change, the applicable laws and regulations are being interpreted, and new and amended regulations may be adopted, by the FRB, the OCC and the Bureau. In addition, HEI will continue to be required to serve as a source of strength to ASB in the event of its financial distress. The Dodd-Frank Act also imposed new restrictions on the ability of a savings bank to pay dividends should it fail to remain a qualified thrift lender.

More stringent affiliate transaction rules now apply to ASB in the securities lending, repurchase agreement and derivatives areas. Standards were raised with respect to the ability of ASB to merge with or acquire another institution. In reviewing a potential merger or acquisition, the approving federal agency will need to consider the extent to which the proposed transaction will result in “greater or more concentrated risks to the stability of the U.S. banking or financial system.”

The Dodd-Frank Act established the Bureau. It has authority to prohibit practices it finds to be unfair, deceptive or abusive, and it may also issue rules requiring specified disclosures and the use of new model forms. On January 10, 2013, the Bureau issued the Ability-to-Repay rule which closed for comment on February 25, 2013. For mortgages, among other things, (i) potential borrowers have to supply financial information, and lenders must verify it, (ii) to qualify for a particular loan, a consumer has to have sufficient assets or income to pay back the loan and (iii) lenders have to determine the consumer’s ability to repay both the principal and the interest over the long term - not just during an introductory period when the rate may be lower.

ASB may also be subject to new state regulation because of a provision in the Dodd-Frank Act that acknowledges that a federal savings bank may be subject to state regulation and allows federal law to preempt a state consumer financial law on a “case by case” basis only when (1) the state law would have a discriminatory effect on the bank compared to that on a bank chartered in that state, (2) the state law prevents or significantly interferes with a bank’s exercise of its power or (3) the state law is preempted by another federal law.

The Dodd-Frank Act also adopts a number of provisions that impact the mortgage industry, including the imposition of new specific duties on the part of mortgage originators (such as ASB) to act in the best interests of consumers and to take steps to ensure that consumers will have the capability to repay loans they may obtain, as well as provisions imposing new disclosure requirements and requiring appraisal reforms.

Also, the Dodd-Frank Act directs the Bureau to publish rules and forms that combine certain disclosures that consumers receive in connection with applying for and closing on a mortgage loan under the Truth in Lending Act and the Real Estate Settlement Procedures Act. Consistent with this requirement, the Bureau amended Regulation X (Real Estate Settlement Procedures Act) and Regulation Z (Truth in Lending) to establish new disclosure requirements and forms in Regulation Z for most closed-end consumer credit transactions secured by real property. In addition to combining the existing disclosure requirements and implementing new requirements, the final rule provides extensive guidance regarding compliance with those requirements. This rule was effective October 3, 2015.

The “Durbin Amendment” to the Dodd-Frank Act required the FRB to issue rules to ensure that debit card interchange fees are “reasonable and proportional” to the processing costs incurred. In June 2011, the FRB issued a final rule establishing standards for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions. Under the final rule, effective October 1, 2011, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is 21-24 cents, depending on certain components. Financial institutions and their affiliates that have less than \$10 billion in assets are exempt from this Amendment; however, on July 1, 2013, ASB became non-exempt as the consolidated assets of HEI exceeded \$10 billion. The debit card interchange fees received by ASB have been lower as a result of the application of this Amendment.

Final Capital Rules. On July 2, 2013, the FRB finalized its rule implementing the Basel III regulatory capital framework. The final rule would apply to banking organizations of all sizes and types regulated by the FRB and the

OCC, except bank holding companies subject to the FRB's Small Bank Holding Company Policy Statement and Savings & Loan Holding Companies (SLHCs) substantially engaged in insurance underwriting or commercial activities. HEI currently meets the requirements of the exemption as a top-tier grandfathered unitary SLHC that derived, as of June 30 of the previous calendar year, either 50% or more of its total consolidated assets or 50% or more of its total revenues on an enterprise-wide basis (calculated under GAAP) from activities that are not financial in nature pursuant to Section 4(k) of the Bank Holding Company Act. The FRB is temporarily excluding these SLHCs from the final rule while it considers a proposal relating to capital and other requirements for SLHC intermediate holding companies (such as ASB Hawaii). The FRB indicated that it would release a proposal on intermediate holding companies that would specify the criteria for establishing and transferring activities to intermediate holding

companies and propose to apply the FRB's capital requirements to such intermediate holding companies. The FRB has not yet issued such a proposal, or a proposal on how to apply the Basel III capital rules to SLHCs that are substantially engaged in commercial or insurance underwriting activities, such as grandfathered unitary SLHCs like HEI.

Pursuant to the final rule and consistent with the proposals, all banking organizations, including covered holding companies, would initially be subject to the following minimum regulatory capital requirements: a common equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6%, a total capital ratio of 8% of risk-weighted assets and a tier 1 leverage ratio of 4%, and these requirements would increase in subsequent years. In order to avoid restrictions on capital distributions and discretionary bonus payments to executive officers, the final rule requires a banking organization to hold a buffer of common equity tier 1 capital above its minimum capital requirements in an amount greater than 2.5% of total risk-weighted assets (capital conservation buffer). In addition, a countercyclical capital buffer would expand the capital conservation buffer by up to 2.5% of a banking organization's total risk-weighted assets for advanced approaches banking organizations. The final rule would establish qualification criteria for common equity, additional tier 1 and tier 2 capital instruments that help to ensure their ability to absorb losses. All banking organizations would be required to calculate risk-weighted assets under the standardized approach, which harmonizes the banking agencies' calculation of risk-weighted assets and address shortcomings in capital requirements identified by the agencies. The phased-in effective dates of the capital requirements under the final rule are:

Minimum Capital Requirements

Effective dates	1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019
Capital conservation buffer		0.625 %	1.25 %	1.875 %	2.50 %
Common equity Tier-1 ratio + conservation buffer	4.50 %	5.125 %	5.75 %	6.375 %	7.00 %
Tier-1 capital ratio + conservation buffer	6.00 %	6.625 %	7.25 %	7.875 %	8.50 %
Total capital ratio + conservation buffer	8.00 %	8.625 %	9.25 %	9.875 %	10.50 %
Tier-1 leverage ratio	4.00 %	4.00 %	4.00 %	4.00 %	4.00 %
Countercyclical capital buffer — not applicable to ASB		0.625 %	1.25 %	1.875 %	2.50 %

The final rule was effective January 1, 2015 for ASB. As of June 30, 2017, ASB met the new capital requirements with a Common equity Tier-1 ratio of 12.4%, a Tier-1 capital ratio of 12.4%, a Total capital ratio of 13.7% and a Tier-1 leverage ratio of 8.5%.

Subject to the timing and final outcome of the FRB's SLHC intermediate holding company proposal, HEI anticipates that the capital requirements in the final rule will eventually be effective for HEI or ASB Hawaii as well. If the fully phased-in capital requirements were currently applicable to HEI, management believes HEI would satisfy the capital requirements, including the fully phased-in capital conservation buffer. Management cannot predict what final rule the FRB may adopt concerning intermediate holding companies or their impact on ASB Hawaii, if any.

Military Lending Act. The Department of Defense (DOD) amended its regulation that implements the Military Lending Act (MLA), which became effective on October 3, 2016. The DOD amended its regulation primarily for the purpose of extending the protections of the MLA to a broader range of closed-end and open-end credit products. It initially applied to three narrowly-defined "consumer credit" products: closed-end payday loans; closed-end auto title loans; and closed-end tax refund anticipation loans. The DOD revised the scope of the definition of "consumer credit" to be generally consistent with the credit products that have been subject to the requirements of the Regulation Z, namely: credit offered or extended to a covered borrower primarily for personal, family or household purposes and that is (i) subject to a finance charge or (ii) payable by a written agreement in more than four installments.

Additionally, the DOD elected to exercise its discretion by generally requiring any fees for credit insurance products or for credit-related ancillary products to be included in the Military Annual Percentage Rate. The DOD also modified the disclosures that a creditor must provide to a covered borrower and implemented the enforcement provisions of the MLA. ASB has modified certain products, practices and associated training to conform to these changes.

Overtime Rules. The Secretary of Labor updated the overtime regulations of the Fair Labor Standards Act to simplify and modernize them. The Department of Labor issued final rules that will raise the salary threshold indicating eligibility from \$455/week to \$913/week (\$47,476 per year), and update automatically the salary threshold every three years, based on wage growth over time, increasing predictability. The final rule was to become effective on December 1, 2016. In late-November 2016 however, the U.S. District Court in the Eastern District of Texas granted a nationwide

preliminary injunction that blocked the final rule, saying the Department of Labor's rule exceeds the authority the agency was delegated by Congress. Despite this block, ASB modified its salaries in the fourth quarter of 2016 such that it is in voluntary compliance with the final rule.

Arbitration Agreements. Pursuant to section 1028(b) of the Dodd-Frank Act, on July 19, 2017, the Bureau issued a final rule to regulate arbitration agreements in contracts for specified consumer financial product and services. First, the final rule prohibits

covered providers of certain consumer financial products and services from using an agreement with a consumer that provides for arbitration of any future dispute between the parties to bar the consumer from filing or participating in a class action concerning the covered consumer financial product or service. Second, the final rule requires covered providers that are involved in arbitration pursuant to a pre-dispute arbitration agreement to submit specified arbitral records to the Bureau and also to submit specified court records. This regulation is effective September 18, 2017. ASB is currently evaluating the impact of this final rule on its affected agreements.

FINANCIAL CONDITION

Liquidity and capital resources.

(dollars in millions)	June 30, December		% change
	2017	31, 2016	
Total assets	\$ 6,611	\$ 6,421	3
Available-for-sale investment securities	1,303	1,105	18
Loans receivable held for investment, net	4,688	4,683	—
Deposit liabilities	5,724	5,549	3
Other bank borrowings	188	193	(3)

As of June 30, 2017, ASB was one of Hawaii's largest financial institutions based on assets of \$6.6 billion and deposits of \$5.7 billion.

As of June 30, 2017, ASB's unused FHLB borrowing capacity was approximately \$1.8 billion. As of June 30, 2017, ASB had commitments to borrowers for loans and unused lines and letters of credit of \$1.8 billion. As of June 30, 2017, the Company did not have commitments to lend to borrowers whose loan terms have been modified in troubled debt restructurings. Management believes ASB's current sources of funds will enable it to meet these obligations while maintaining liquidity at satisfactory levels.

For the six months ended June 30, 2017, net cash provided by ASB's operating activities was \$46 million. Net cash used during the same period by ASB's investing activities was \$221 million, primarily due to purchases of investment securities of \$296 million, a net increase in loans receivable of \$20 million and additions to premises and equipment of \$20 million, partly offset by receipt of repayments from investment securities of \$100 million, proceeds from the sale of commercial loans of \$13 million and a decrease in restricted cash of \$2 million. Net cash provided by financing activities during this period was \$152 million, primarily due to increases in deposit liabilities of \$175 million and a net increase in retail repurchase agreements of \$9 million, partly offset by repayments of securities sold under agreements to repurchase of \$14 million and \$19 million in common stock dividends to HEI (through ASB Hawaii).

For the six months ended June 30, 2016, net cash provided by ASB's operating activities was \$25 million. Net cash used during the same period by ASB's investing activities was \$205 million, primarily due to purchases of investment securities of \$177 million, a net increase in loans receivable of \$156 million and additions to premises and equipment of \$6 million, partly offset by receipt of repayments and calls of investment securities of \$103 million, proceeds from the sale of investment securities of \$16 million and proceeds from the sale of commercial loans of \$14 million. Net cash provided by financing activities during this period was \$134 million, primarily due to increases in deposit liabilities of \$207 million, partly offset by a net decrease in retail repurchase agreements of \$27 million, maturities of securities sold under agreements to repurchase of \$29 million and \$18 million in common stock dividends to HEI (through ASB Hawaii).

ASB believes that maintaining a satisfactory regulatory capital position provides a basis for public confidence, affords protection to depositors, helps to ensure continued access to capital markets on favorable terms and provides a foundation for growth. FDIC regulations restrict the ability of financial institutions that are not well-capitalized to compete on the same terms as well-capitalized institutions, such as by offering interest rates on deposits that are significantly higher than the rates offered by competing institutions. As of June 30, 2017, ASB was well-capitalized (minimum ratio requirements noted in parentheses) with a Common equity Tier-1 ratio of 12.4% (6.5%), a Tier-1 capital ratio of 12.4% (8.0%), a Total capital ratio of 13.7% (10.0%) and a Tier-1 leverage ratio of 8.5% (5.0%). As of December 31, 2016, ASB was well-capitalized with a common equity Tier-1 ratio of 12.2%, Tier-1 capital ratio of 12.2%, a Total capital ratio of 13.4% and a Tier-1 leverage ratio of 8.6%. All dividends are subject to review by the

OCC and FRB and receipt of a letter from the FRB communicating the agencies' non-objection to the payment of any dividend ASB proposes to declare and pay to HEI (through ASB Hawaii).

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company considers interest-rate risk (a non-trading market risk) to be a very significant market risk for ASB as it could potentially have a significant effect on the Company's results of operations, financial condition and liquidity. For additional quantitative and qualitative information about the Company's market risks, see HEI's and Hawaiian Electric's Quantitative and Qualitative Disclosures About Market Risk in Part II, Item 7A of HEI's 2016 Form 10-K (pages 79 to 81).

ASB's interest-rate risk sensitivity measures as of June 30, 2017 and December 31, 2016 constitute "forward-looking statements" and were as follows:

Change in interest rates (basis points)	Change in NII (gradual change in interest rates)		Change in EVE (instantaneous change in interest rates)	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
+300	2.6 %	1.9 %	(7.6)%	(8.0)%
+200	1.7	0.8	(4.1)	(4.6)
+100	0.8	—	(1.1)	(1.6)
-100	(1.4)	(0.5)	(3.5)	(1.6)

Management believes that ASB's interest rate risk position as of June 30, 2017 represents a reasonable level of risk. The NII profile under the rising interest rate scenarios was more asset sensitive for all rate increases as of June 30, 2017 compared to December 31, 2016. Interest income increased due to the growth of the investment portfolio and higher income from the commercial and HELOC loan portfolios due to an increase in the short-term LIBOR and prime rates. In addition, the repricing assumptions of certain commercial loans were updated, which resulted in a net increase in NII.

ASB's base EVE increased to \$1.12 billion as of June 30, 2017, compared to \$1.09 billion as of December 31, 2016, due to the growth and mix of the balance sheet. The growth of the investment portfolio was funded with the increase in core deposits. The upward shift in short term rates resulted in the market valuation of assets exceeding the valuation of liabilities.

EVE sensitivity to rising rates declined as of June 30, 2017 compared to December 31, 2016. During the first half of the year, the purchase of intermediate-termed duration investment securities was funded by longer duration core deposits, resulting in a net decrease in EVE sensitivity.

The computation of the prospective effects of hypothetical interest rate changes on the NII sensitivity and the percentage change in EVE is based on numerous assumptions, including relative levels of market interest rates, loan prepayments, balance changes and pricing strategies, and should not be relied upon as indicative of actual results. To the extent market conditions and other factors vary from the assumptions used in the simulation analysis, actual results may differ materially from the simulation results. Furthermore, NII sensitivity analysis measures the change in ASB's twelve-month, pretax NII in alternate interest rate scenarios, and is intended to help management identify potential exposures in ASB's current balance sheet and formulate appropriate strategies for managing interest rate risk. The simulation does not contemplate any actions that ASB management might undertake in response to changes in interest rates. Further, the changes in NII vary in the twelve-month simulation period and are not necessarily evenly distributed over the period. These analyses are for analytical purposes only and do not represent management's views of future market movements, the level of future earnings or the timing of any changes in earnings within the twelve month analysis horizon. The actual impact of changes in interest rates on NII will depend on the magnitude and speed with which rates change, actual changes in ASB's balance sheet and management's responses to the changes in interest rates.

Item 4. Controls and Procedures

HEI:

Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods

specified in SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Exchange Act. Management, including the Company's Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective, as of the end of the period covered by the report, at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no changes in internal control over financial reporting during the second quarter of 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Hawaiian Electric:

Disclosure Controls and Procedures

Hawaiian Electric maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by Hawaiian Electric in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC's rules and forms, and that such information is accumulated and communicated to Hawaiian Electric's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

An evaluation was performed under the supervision and with the participation of Hawaiian Electric's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Hawaiian Electric's disclosure controls and procedures, as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Exchange Act. Management, including Hawaiian Electric's Chief Executive Officer and Chief Financial Officer, concluded that Hawaiian Electric's disclosure controls and procedures were effective, as of the end of the period covered by the report, at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no changes in internal control over financial reporting during the second quarter of 2017 that have materially affected, or are reasonably likely to materially affect, Hawaiian Electric's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The descriptions of legal proceedings (including judicial proceedings and proceedings before the PUC and environmental and other administrative agencies) in HEI's and Hawaiian Electric's 2016 Form 10-K (see "Part I. Item 3. Legal Proceedings" and proceedings referred to therein) and this Form 10-Q (see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Notes 3 and 4 of the Condensed Consolidated Financial Statements) are incorporated by reference in this Item 1. With regard to any pending legal proceeding, alternative dispute resolution, such as mediation or settlement, may be pursued where appropriate, with such efforts typically maintained in confidence unless and until a resolution is achieved. Certain HEI subsidiaries (including Hawaiian Electric and its subsidiaries and ASB) may also be involved in ordinary routine PUC proceedings, environmental proceedings and litigation incidental to their respective businesses.

Item 1A. Risk Factors

For information about Risk Factors, see pages 25 to 35 of HEI's and Hawaiian Electric's 2016 Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures about Market Risk" and the Condensed Consolidated Financial Statements herein. Also, see "Cautionary Note Regarding Forward-Looking Statements" on pages iv and v herein.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Purchases of HEI common shares were made during the second quarter to satisfy the requirements of certain plans as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period*	Total Number of Shares Purchased**	Average Price Paid per Share**	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 to 30, 2017	39,114	\$33.51	—	NA
May 1 to 31, 2017	33,303	\$32.87	—	NA
June 1 to 30, 2017	193,655	\$33.64	—	NA

NA Not applicable.

* Trades (total number of shares purchased) are reflected in the month in which the order is placed.

** The purchases were made to satisfy the requirements of the DRIP, the HEIRSP and the ASB 401(k) Plan for shares purchased for cash or by the reinvestment of dividends by participants under those plans and none of the purchases were made under publicly announced repurchase plans or programs. Average prices per share are calculated exclusive of any commissions payable to the brokers making the purchases for the DRIP, the HEIRSP and the ASB 401(k) Plan. Of the "Total number of shares purchased," all of the 39,114 shares, 23,773 of the 33,303 shares and 168,855 of the 193,655 shares were purchased for the DRIP; none of the 39,114 shares, 8,800 of the 33,303 shares and 21,300 of the 193,655 shares were purchased for the HEIRSP; and the remainder was purchased for the ASB 401(k) Plan. The repurchased shares were issued for the accounts of the participants under registration statements registering the shares issued under these plans.

Item 5. Other Information

A. Ratio of earnings to fixed charges.

	Six months ended						
	Years ended December 31						
	June 30						
	2017	2016	2016	2015	2014	2013	2012
HEI and Subsidiaries							
Excluding interest on ASB deposits	3.31	3.64	5.05	3.68	3.80	3.55	3.30
Including interest on ASB deposits	3.11	3.46	4.75	3.54	3.65	3.42	3.15
Hawaiian Electric and Subsidiaries	2.90	3.76	4.11	3.97	4.04	3.72	3.37

See HEI Exhibit 12.1 and Hawaiian Electric Exhibit 12.2.

Item 6. Exhibits

HEI Exhibit.10.1	Second Amended and Restated Credit Agreement, dated as of June 30, 2017, among HEI, as Borrower, the Lenders Party Thereto and Wells Fargo Bank, National Association, as Syndication Agent, and Bank of America, N.A., MUFG Union Bank, N.A., Barclays Bank PLC, U.S. Bank National Association and Bank of Hawaii as Co-Documentation Agents, and JPMorgan Chase Bank, N.A., as Administrative Agent, Swingline Lender and Issuing Bank, and JPMorgan Chase Bank, N.A. and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Book Runners
HEI Exhibit 12.1	Hawaiian Electric Industries, Inc. and Subsidiaries Computation of ratio of earnings to fixed charges, six months ended June 30, 2017 and 2016 and years ended December 31, 2016, 2015, 2014, 2013 and 2012
HEI Exhibit 31.1	Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Constance H. Lau (HEI Chief Executive Officer)
HEI Exhibit 31.2	Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Gregory C. Hazelton (HEI Chief Financial Officer)
HEI Exhibit 32.1	HEI Certification Pursuant to 18 U.S.C. Section 1350
HEI Exhibit 101.INS	XBRL Instance Document
HEI Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
HEI Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
HEI Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
HEI Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
HEI Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
Hawaiian Electric Exhibit 2	Termination Agreement, dated July 14, 2017, by and among Hamakua Energy Partners, L.P. and Hamakua Land Partnership, L.L.P. and Hawaii Electric Light Company, Inc.
Hawaiian Electric Exhibit 10.2	Second Amended and Restated Credit Agreement, dated as of June 30, 2017, among Hawaiian Electric Company, Inc., as Borrower, the Lenders Party Hereto and Wells Fargo Bank, National Association, as Syndication Agent, and Bank of America, N.A., MUFG Union Bank, N.A., Barclays Bank PLC, U.S. Bank National Association and Bank of Hawaii as Co-Documentation Agents, and JPMorgan Chase Bank, N.A., as Administrative Agent, Swingline Lender and Issuing Bank, and JPMorgan Chase Bank, N.A. and Wells Fargo Securities, LLC, as Joint Lead

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Arrangers and Joint Book Runners

Hawaiian Electric Exhibit 12.2	Hawaiian Electric Company, Inc. and Subsidiaries Computation of ratio of earnings to fixed charges, six months ended June 30, 2017 and 2016 and years ended December 31, 2016, 2015, 2014, 2013 and 2012
Hawaiian Electric Exhibit 31.3	Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Alan M. Oshima (Hawaiian Electric Chief Executive Officer)
Hawaiian Electric Exhibit 31.4	Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Tayne S. Y. Sekimura (Hawaiian Electric Chief Financial Officer)
Hawaiian Electric Exhibit 32.2	Hawaiian Electric Certification Pursuant to 18 U.S.C. Section 1350

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized. The signature of the undersigned companies shall be deemed to relate only to matters having reference to such companies and any subsidiaries thereof.

HAWAIIAN ELECTRIC
INDUSTRIES, INC.
(Registrant)

HAWAIIAN ELECTRIC COMPANY, INC.
(Registrant)

By/s/ Constance H. Lau
Constance H. Lau
President and Chief Executive Officer
(Principal Executive Officer of HEI)

By/s/ Alan M. Oshima
Alan M. Oshima
President and Chief Executive Officer
(Principal Executive Officer of Hawaiian Electric)

By/s/ Gregory C. Hazelton
Gregory C. Hazelton
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting
Officer of HEI)

By/s/ Tayne S. Y. Sekimura
Tayne S. Y. Sekimura
Senior Vice President
and Chief Financial Officer
(Principal Financial Officer of Hawaiian Electric)

Date: August 3, 2017

Date: August 3, 2017