
2016 Wells Fargo Utility Symposium
December 6 - 7, 2016
HEI
Hawaiian Electric Industries, Inc.

Building strength through

# Leadership



## Constance H. Lau

President and Chief Executive Officer
Hawaiian Electric Industries, Inc.

Chairman
Hawaiian Electric Company, Inc.

Chairman
American Savings Bank, F.S.B.

Ms. Lau was named President and Chief Executive Officer of Hawaiian Electric Industries, Inc. (HEI) in May 2006. She also serves as Chairman of Hawaiian Electric Company and Chairman of American Savings Bank. Born and raised in Honolulu, Ms. Lau joined the HEI companies in 1984, serving first as Assistant Corporate Counsel and Treasurer of Hawaiian Electric Company, then as Treasurer of HEI. In 1999, she became a director and Senior Executive Vice President and Chief Operating Officer of American Savings Bank, rising to President and Chief Executive Officer in June 2001. She also served as an HEI director from 2001 through 2004, and has been serving as an HEI director since May 2006. Ms. Lau graduated from Yale College with a bachelor of science in administrative sciences. She earned a juris doctor degree from the University of California Hastings College of the Law and a master of business administration degree from Stanford Graduate School of Business.

Ms. Lau is a director with Matson, Inc. (NYSE: MATX), the major shipping carrier to Hawaii, and chairs the National Infrastructure Advisory Council (NIAC) which, through the Secretary of Homeland Security, provides President Barack Obama with advice on the security of the critical infrastructure sectors and their information systems. In energy, Ms. Lau was named 2011 Woman of the Year by the Women's Council on Energy and the Environment in Washington, D.C., and serves on the boards of the Electric Power Research Institute, the Edison Electric Institute, and the Associated Electrical & Gas Insurance Services. In banking, Ms. Lau is a member of the Federal Reserve Bank of San Francisco's Twelfth District Community Depository Institutions Advisory Council, and was one of U.S. Banker's 25 Most Powerful Women in Banking for 2004, 2005, and 2006 when she headed American Savings Bank.

In Hawaii, Ms. Lau was named Pacific Business News (PBN)'s 2004 Hawaii Business Leader of the Year, and in 2013, she was named one of PBN's 10 to Watch for her leadership in clean energy and transportation. Ms. Lau also serves on the boards of the Hawaii Business Roundtable, the Asia-Pacific Center for Security Studies, Punahou School, and the Consuelo Foundation, which helps women, children and families in Hawaii and the Philippines. She served as a trustee for Kamehameha Schools Bishop Estate from 1999 to 2007.



## Alan M. Oshima

President and Chief Executive Officer
Hawaiian Electric Company, Inc.

Mr. Oshima was named President and Chief Executive Officer of the Hawaiian Electric Company, Inc. effective Oct. 1, 2014.

Mr. Oshima first joined Hawaiian Electric as a member of the board of directors in 2008. In 2011, he left the board to serve at HEI, Hawaiian Electric's parent company, as Executive Vice President for Corporate and Community Advancement and President of the HEI Charitable Foundation. In May 2014, he joined the Hawaiian Electric executive team full time.

Prior to joining the Hawaiian Electric Board in 2008, Mr. Oshima served as Senior Vice President, General Counsel and Corporate Secretary of Hawaiian Telcom from 2005 to 2008 and later as a senior adviser and director helping the company successfully emerge from reorganization in 2010. Mr. Oshima also founded the law firm of Oshima Chun Fong & Chung and, prior to that, practiced law with Carlsmith Ball. With his significant experience with electric, telecommunications and transportation companies, as well as water and sewer resources in Hawai‘i, Mr. Oshima was consistently recognized as one of "America's Best Lawyers" in the field of public utilities.

He has received the Hawai‘i State Bar Association Pro Bono Service Award and been recognized by the Hawai‘i Institute of Public Affairs and the Public Schools of Hawai‘i Foundation for his leadership and commitment to improving public education in Hawai‘i. Mr. Oshima chairs Hawai‘i 3Rs, a nonprofit organization that facilitates public-private partnerships to repair, restore and remodel Hawai‘i's public schools. He serves as a director of the Hawai‘i Institute of Public Affairs where he's helped lead an initiative to form a public school land trust to rebuild and upgrade school facilities across the state. Mr. Oshima also serves as one of the six Hawai‘i Commissioners on the Education Commission of the States. He is also a longtime volunteer and former chairman of the board for the YMCA of Honolulu and previously served on the board of advisors for The Learning Coalition.



## Richard F. Wacker

President and Chief Executive Officer
American Savings Bank, F.S.B.

Mr. Wacker was named President and Chief Executive Officer of American Savings Bank (ASB) in November 2010 and serves as a director on the ASB Board. Prior to joining ASB, Mr. Wacker was Chairman of Korea Exchange Bank (KEB), the fifth largest commercial bank in Korea and the largest foreign exchange bank in the country. He joined KEB in 2004 as Chief Operating Officer and was appointed President and Chief Executive Officer in 2005. At KEB he held the position of Chairman of the Board from 2007 through 2010. Mr. Wacker established the KEB Foundation, the first non-profit foundation in the Korean Financial industry.

An active supporter in the community, Mr. Wacker holds leadership positions in Hawai‘i, serving on several prominent boards including, Child & Family Services (Chair), Hawaii Business Roundtable (Executive Committee), Chaminade University (Board of Regents), University of Hawai‘i—Pacific Asian Center for Entrepreneurship, University of Hawai‘i Foundation (Vice-Chair), University of Hawai‘i—XLR8UH accelerator program and the Hawaii Bankers Association. Mr. Wacker has served as a board member for the Hawai‘i Chapter of the American Red Cross, director for Junior Achievement Korea and was a member of the Board of Governors of the American Chamber of Commerce in Korea. In 2008, Mr. Wacker was recognized as one of Korea’s “Most Respected CEOs.”

Prior to joining KEB, Mr. Wacker has a 20-year career with General Electric (GE) where he was a company officer and held a wide range of senior leadership positions at GE and GE Capital in the United States and Europe.

Mr. Wacker earned a bachelor of science degree in mechanical engineering from the University of Missouri.



**James A. Ajello**
Executive Vice President and
Chief Financial Officer
Hawaiian Electric Industries, Inc.

Mr. Ajello joined Hawaiian Electric Industries, Inc. in January 2009.

Prior to joining HEI, Mr. Ajello was Senior Vice President - Business Development at Reliant Energy, Inc. (Reliant). He joined Reliant in 2000 as President of Reliant Energy Solutions LLC and was named Reliant's Senior Vice President and General Manager of Commercial & Industrial Marketing in 2004.

Mr. Ajello's experience prior to joining Reliant includes serving as Managing Director of the energy & natural resources group of UBS Warburg/UBS Securities LLC. He also worked at Enron North America, and was responsible for a team originating business with large industrial clients. Before Enron, his work experience included a project management role at the U.S. Synthetic Fuels Corporation and as a management intern with the U.S. Department of Energy focusing on renewable energy development and naval nuclear reactors.

Mr. Ajello holds a bachelor's degree from the State University of New York and an MPA from Syracuse University. In addition, he is a graduate of the Advanced Management Program of the European Institute of Business Administration in Fontainebleau, France.

Mr. Ajello is a member of the Board of Directors of Crius Energy Trust (TSX: KWH) and Chairman of the U.S. Department of Energy's Environmental Management Advisory Board. He is also a board member of the Hawaii Pacific University Board of Trustees and its affiliate, the Oceanic Institute, as well as a member of the Board of Trustees of Enterprise Honolulu (Oahu Economic Development Board).



## Greg C. Hazelton

Senior Vice President, Finance
Hawaiian Electric Industries, Inc.

Mr. Hazelton re-joined the Hawaiian Electric Industries, Inc. (HEI) leadership team as Senior Vice President, Finance in October 2016. Prior to assuming his current position at HEI, Mr. Hazelton was NW Natural's Senior Vice President and CFO from June 2015 until September 2016 and also was Treasurer from March 2016 until September 2016. Before joining NW Natural in June 2015, Mr. Hazelton was Vice President of Finance, Treasurer and Controller at HEI from August 2013 to June 2015. He held a number of positions with UBS Investment Bank, Global Power and Utilities Group from 2006 to 2013, including Managing Director from March 2011 to May 2013, Executive Director from March 2008 to March 2011 and Associate Director from March 2006 to March 2008. In addition, Mr. Hazelton served in the Global Power Group of Lehman Brothers from 2001 to 2006, including as Vice President from 2005 to 2006. Mr. Hazelton held various operational, SEC financial reporting and accounting, financial forecast and analysis, and business development positions at energy companies, including Portland General Electric, from 1989 to 1999.

Mr. Hazelton received a Bachelor of Science degree from Warner Pacific College and a Master of Business Administration (MBA) degree from the University of Chicago Graduate School of Business. He received his CPA (currently inactive) from the State of Washington.



## Clifford H. Chen

Treasurer, Manager of Investor Relations and Strategic Planning
Hawaiian Electric Industries, Inc.

Mr. Chen joined Hawaiian Electric Industries, Inc. in June 2014.

Mr. Chen has a strong investment banking/corporate financial markets background, working for approximately 10 years at UBS Securities, Bank of America and Merrill Lynch in New York, where he focused on investment banking, advisory and M&A for financial institutions. Prior to his investment banking career, he practiced corporate and securities law at Wilson Sonsini in Palo Alto.

Mr. Chen earned his undergraduate degree from Harvard University, a Juris Doctor from the University of Michigan and a master's of business administration from the University of Chicago.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This presentation 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, any 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 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 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, 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 and monetary policy;
- 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/ERM) 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, proposed undersea cables, 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 and business model changes proposed and being developed in response to the four orders that the PUC issued in April 2014, in which the PUC: directed the Utilities to develop, among other things, Power Supply Improvement Plans, a Demand Response Portfolio Plan and a Distributed Generation Interconnection Plan; described the PUC's 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 emphasized the need to "leap ahead" of other states in creating a 21st century generation system and modern transmission and distribution grids;

- 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 (GHG) 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 presentation (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 this 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 as a result of new information, whether written or oral, and future events or otherwise.

## EXPLANATION OF HEI'S USE OF CERTAIN UNAUDITED NON-GAAP MEASURES

HEI and Hawaiian Electric Company management use certain non-GAAP measures to evaluate the performance of HEI and the utility. Management believes these non-GAAP measures provide useful information and are a better indicator of the companies' core operating activities. Core earnings and other financial measures as presented here may not be comparable to similarly titled measures used by other companies. The accompanying tables provide a reconciliation of reported GAAP[1] earnings to non-GAAP core earnings and the adjusted return on average common equity (ROACE) for HEI and the utility.

The reconciling adjustments from GAAP earnings to core earnings is limited to the fees, reimbursements, costs and associated taxes related to the recently terminated merger between HEI and NextEra Energy, Inc., the cancelled spin-off of ASB Hawaii, Inc., and the recently terminated liquefied natural gas (LNG) contract which required the Hawaii Public Utilities Commission approval of the merger with NextEra Energy, Inc. For more information on the transactions, see HEI's Form 8-K filed on July 18, 2016 and HEI's Form 8-K filed on July 19, 2016, respectively. Management does not consider these items to be representative of the company's fundamental core earnings.

The accompanying table also provides the calculation of utility GAAP O&M adjusted for costs related to the terminated merger discussed above. "O&M-related net income neutral items" which are O&M expenses covered by specific surcharges or by third parties have also been excluded. These "O&M-related net income neutral items" are grossed-up in revenue and expense and do not impact net income.

RECONCILIATION OF GAAP[1] TO NON-GAAP MEASURES

Hawaiian Electric Industries, Inc. and Subsidiaries (HEI)

| Unaudited ($ in millions, except per share amounts) | Three months ended September 30 2016 | Three months ended September 30 2015 | Nine months ended September 30 2016 | Nine months ended September 30 2015 |
|---|---|---|---|---|
| HEI CONSOLIDATED (INCOME) EXPENSES RELATED TO THE TERMINATED MERGER WITH NEXTERA ENERGY AND CANCELLED SPIN-OFF OF ASB HAWAII | | | | |
| Pre-tax (income) expenses | $ (88.5) | $ 1.8 | $ (84.9) | $ 15.7 |
| Current income taxes (benefits) | 24.7 | (0.1) | 24.7 | (2.1) |
| After-tax (income) expenses | $ (63.8) | $ 1.7 | $ (60.3) | $ 13.6 |
| HEI CONSOLIDATED LNG CONTRACT COSTS [2] | | | | |
| Pre-tax expenses | $ - | $ - | $ 3.4 | $ - |
| Current income taxes (benefits) | - | - | (1.3) | - |
| After-tax expenses | $ - | $ - | $ 2.1 | $ - |
| HEI CONSOLIDATED NET INCOME | | | | |
| GAAP (as reported) | $ 127.1 | $ 50.7 | $ 203.6 | $ 117.6 |
| Excluding special items (after-tax): | | | | |
| (Income) expenses related to the terminated merger with NextEra Energy and cancelled spin-off of ASB Hawaii | (63.8) | 1.7 | (60.3) | 13.6 |
| Costs related to the terminated LNG contract [2] | - | - | 2.1 | - |
| Non-GAAP (core) net income | $ 63.3 | $ 52.4 | $ 145.4 | $ 131.1 |
| HEI CONSOLIDATED DILUTED EARNINGS PER COMMON SHARE | | | | |
| GAAP (as reported) | $ 1.17 | $ 0.47 | $ 1.88 | $ 1.11 |
| Excluding special items (after-tax): | | | | |
| (Income) expenses related to the terminated merger with NextEra Energy and cancelled spin-off of ASB Hawaii | (0.59) | 0.02 | (0.56) | 0.13 |
| Costs related to the terminated LNG contract [2] | - | - | 0.02 | - |
| Non-GAAP (core) diluted earnings per common share | $ 0.58 | $ 0.49 | $ 1.34 | $ 1.23 |

| | Twelve months ended September 30 2016 | Twelve months ended September 30 2015 |
|---|---|---|
| HEI CONSOLIDATED RETURN ON AVERAGE COMMON EQUITY (ROACE) (simple average) | | |
| Based on GAAP | 12.3% | 8.1% |
| Based on non-GAAP (core) [3] | 9.5% | 9.1% |

Note: Columns may not foot due to rounding

[1] Accounting principles generally accepted in the United States of America

[2] The LNG contract was terminated as it was conditioned on the merger with NextEra Energy closing

[3] Calculated as core net income divided by average GAAP common equity

RECONCILIATION OF GAAP[1] TO NON-GAAP MEASURES

Hawaiian Electric Company, Inc. and Subsidiaries

| Unaudited | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| ($ in millions) | 2016 | 2015 | 2016 | 2015 |
| HAWAIIAN ELECTRIC CONSOLIDATED COSTS RELATED TO THE TERMINATED MERGER WITH NEXTERA ENERGY | | | | |
| Pre-tax expenses | $ - | $ - | $ 0.1 | $ 0.4 |
| Current income taxes (benefits) | - | - | - | (0.2) |
| After-tax expenses | $ - | $ - | $ 0.1 | $ 0.3 |
| HAWAIIAN ELECTRIC CONSOLIDATED LNG CONTRACT COSTS [2] | | | | |
| Pre-tax expenses | $ - | $ - | $ 3.4 | $ - |
| Current income taxes (benefits) | - | - | (1.3) | - |
| After-tax expenses | $ - | $ - | $ 2.1 | $ - |
| HAWAIIAN ELECTRIC CONSOLIDATED NET INCOME | | | | |
| GAAP (as reported) | $ 47.0 | $ 43.0 | $ 108.2 | $ 102.7 |
| Excluding special items (after-tax): | | | | |
| Costs related to the terminated merger with NextEra Energy | - | - | 0.1 | 0.3 |
| Costs related to the terminated LNG contract [2] | - | - | 2.1 | - |
| Non-GAAP (core) net income | $ 47.0 | $ 43.0 | $ 110.3 | $ 103.0 |

| | Twelve months ended September 30 | |
|---|---|---|
| | 2016 | 2015 |
| HAWAIIAN ELECTRIC CONSOLIDATED RETURN ON AVERAGE COMMON EQUITY (ROACE) (simple average) | | |
| Based on GAAP | 8.11% | 7.86% |
| Based on non-GAAP (core) [3] | 8.24% | 7.88% |

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| ($ in millions) | 2016 | 2015 | 2016 | 2015 |
| HAWAIIAN ELECTRIC CONSOLIDATED OTHER OPERATION AND MAINTENANCE (O&M) EXPENSE | | | | |
| GAAP (as reported) | $ 94.8 | $ 103.7 | $ 298.3 | $ 306.5 |
| Excluding O&M-related net income neutral items [4] | 1.4 | 1.9 | 4.6 | 5.4 |
| Excluding costs related to the terminated merger with NextEra Energy | - | - | 0.1 | 0.4 |
| Excluding costs related to the terminated LNG contract [2] | - | - | 3.4 | - |
| Non-GAAP (Adjusted other O&M expense) | $ 93.4 | $ 101.8 | $ 290.2 | $ 300.7 |

Note: Columns may not foot due to rounding

[1] Accounting principles generally accepted in the United States of America

[2] The LNG contract was terminated as it was conditioned on the merger with NextEra Energy closing

[3] Calculated as core net income divided by average GAAP common equity

[4] Expenses covered by surcharges or by third parties recorded in revenues

## RECONCILIATION OF 2016 NON-GAAP (CORE) EPS GUIDANCE TO GAAP EPS GUIDANCE

The 2016 reconciling adjustments from GAAP diluted earnings per common share (EPS) to core EPS are limited to the 2016 costs, fees and reimbursements (includes year-to-date actual results through 9/30/16) related to the recently terminated merger between HEI and NextEra Energy, Inc. and the cancelled spin-off of ASB Hawaii, Inc., including the NextEra Energy, Inc. payment to HEI of the $90 million termination fee and $5 million for the reimbursement of expenses, less associated current income tax expense. The 2016 estimated EPS impact of these adjustments ($85 million of fees and reimbursements, net of costs, less $25 million of current income taxes) is a net credit of $0.56 per share. In addition, costs related to the utility's recently terminated liquefied natural gas (LNG) contract which required the Hawaii Public Utilities Commission approval of the merger with NextEra Energy, Inc. less the associated current income tax benefits are estimated at $0.02 per share and are also considered a non-GAAP adjustment. Management does not consider these adjustments to be representative of the company's fundamental core earnings and therefore are excluded from core EPS.

As a result of the non-GAAP adjustments above, the 2016 HEI consolidated GAAP EPS guidance range is estimated to be $2.26 to $2.32 per share compared to the core EPS guidance range of $1.72 to $1.78 per share. The 2016 utility GAAP EPS guidance range is estimated to be $1.26 to $1.34 per share compared to the core EPS guidance range of $1.28 to $1.36 per share adjusted for $0.02 per share for the terminated LNG contract costs described above. The 2016 bank GAAP EPS guidance range and core EPS guidance range of $0.50 to $0.54 per share remain the same. The 2016 holding company & other GAAP EPS guidance range is estimated to be $0.47 to $0.50 per share compared to the core EPS guidance range of ($0.09) to ($0.06) per share adjusted for $0.56 per share for the 2016 costs, fees and reimbursements described above.



# Company Overview

Providing Essential Electric and Financial Services Ensuring a Brighter and Greener Future for the Communities We Serve

HEI



# YTD 2016 Highlights

- **Third quarter results significantly impacted by the NEE merger termination fee**
- **Hawaiian Electric marks 125 years of serving Hawaii**

Hawaiian Electric

- **Comprehensive Update to Power Supply Improvement Plans**
- **Focused on opportunities to reduce customer bills and to increase renewable energy and new customer options**

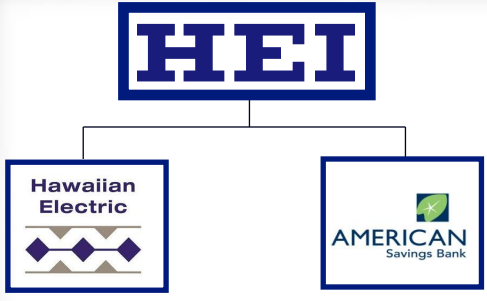
AMERICAN Savings Bank

- **Excellent deposit growth and higher net interest income**
- **Sound capital levels**

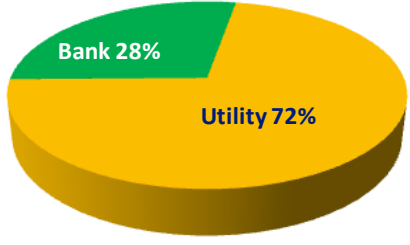
HEI



# HEI Profile




**Subsidiary Company Contributions to Net Income[1]**




| | |
|---|---|
| **Market capitalization[2]** | $3.4B |
| **Total enterprise value[2]** | $4.7B |
| **Capital structure: consolidated common equity to total capitalization** | 56% |
| **LTM 3Q16 Consolidated GAAP ROE / Core ROE** | 12.3% / 9.5% |
| **Dividend yield[2]** | 4.0% |
| **2015 Dividend payout ratio** | 82% |
| **3-year total return (CAGR%)[3]** | 9.7% |
| **HE is included in the following indices:** S&P Mid-Cap 400, Russell 1000 | |

Data above as of 9/30/16 unless otherwise indicated

1 Data based upon LTM 3Q16 and excludes holding and other companies' net loss.

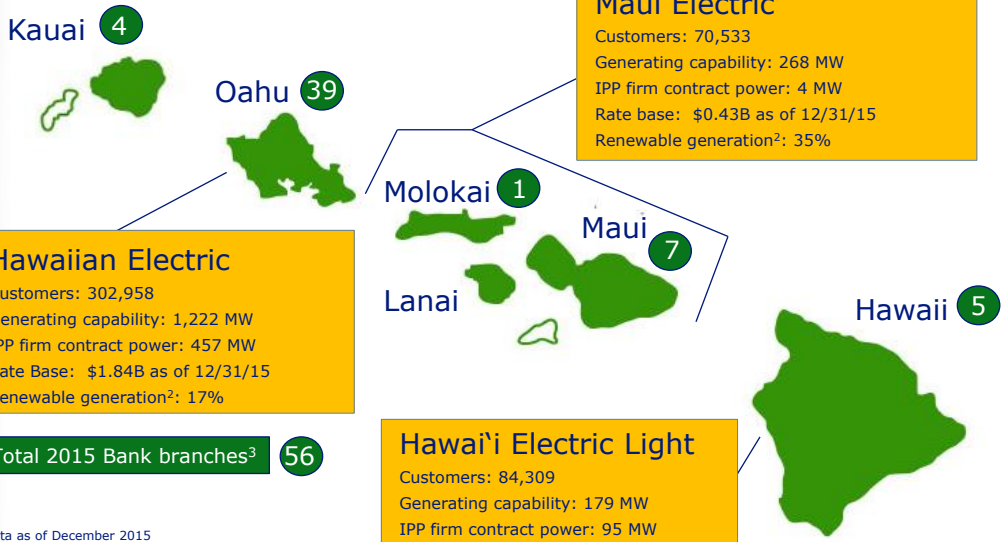
2 Market capitalization, total enterprise value and dividend yield are based on the closing price of $31.37 on 11/28/16

3 Source: FactSet for period ending 12/31/15



# Hawaiian Electric Company and American Savings Bank Service Area

- Utility: 100% Market Share for 95% of state; 2015 Rate Base of $2.75B
- Bank: 3rd Largest Bank in the State[1]; ~$6B in assets




## Maui Electric

Customers: 70,533
Generating capability: 268 MW
IPP firm contract power: 4 MW
Rate base: $0.43B as of 12/31/15
Renewable generation[2]: 35%

## Hawaiian Electric

Customers: 302,958
Generating capability: 1,222 MW
IPP firm contract power: 457 MW
Rate Base: $1.84B as of 12/31/15
Renewable generation[2]: 17%

Total 2015 Bank branches[3] 56

## Hawai'i Electric Light

Customers: 84,309
Generating capability: 179 MW
IPP firm contract power: 95 MW
Rate Base: $0.48B as of 12/31/15
Renewable generation[2]: 49%

Data as of December 2015
1 Based upon assets
2 As a percentage of total sales
3 52 branches as of 10/31/16

HEI

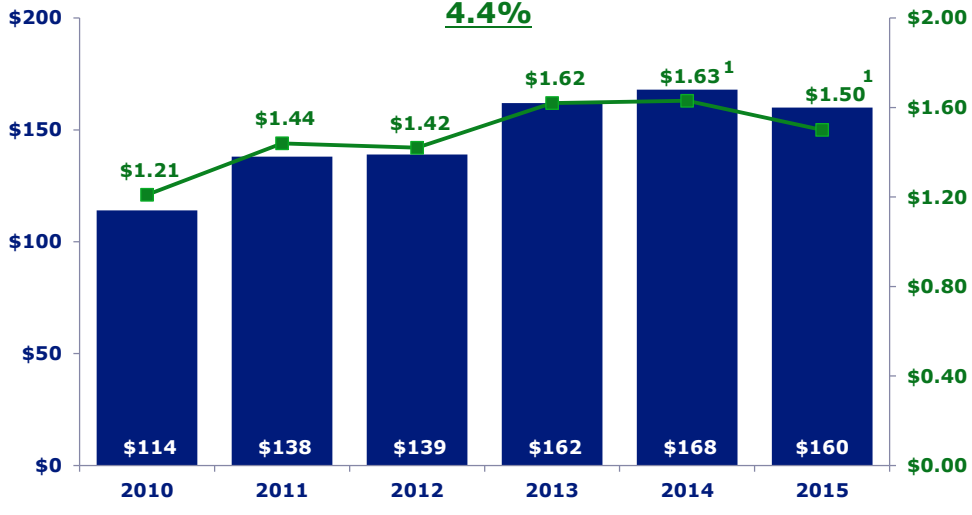


# HEI Historical Financial Performance (GAAP)

**Net Income**
(in millions)

**5-Year EPS CAGR: 4.4%**

**Diluted Earnings Per Share (EPS)**

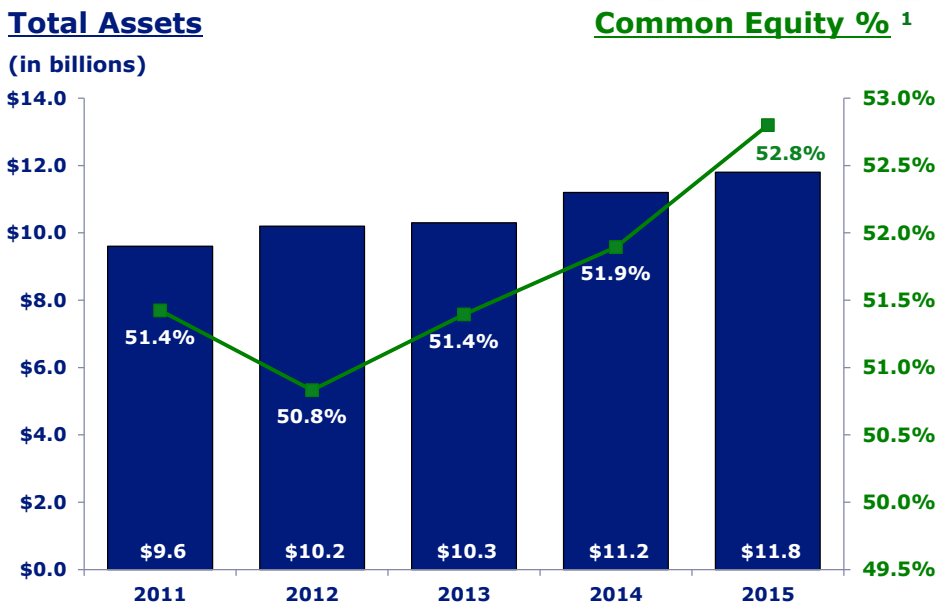



| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| ROE | 7.8% | 9.2% | 8.9% | 9.7% | 9.6% | 8.6% |
| Dividend payout | 102% | 86% | 87% | 76% | 75% | 82% |

[1] 2014 and 2015 include $5M (5 cents)and $16M (~15 cents), respectively, of merger and spinoff expenses after tax.



# HEI Historical Total Assets and Common Equity %

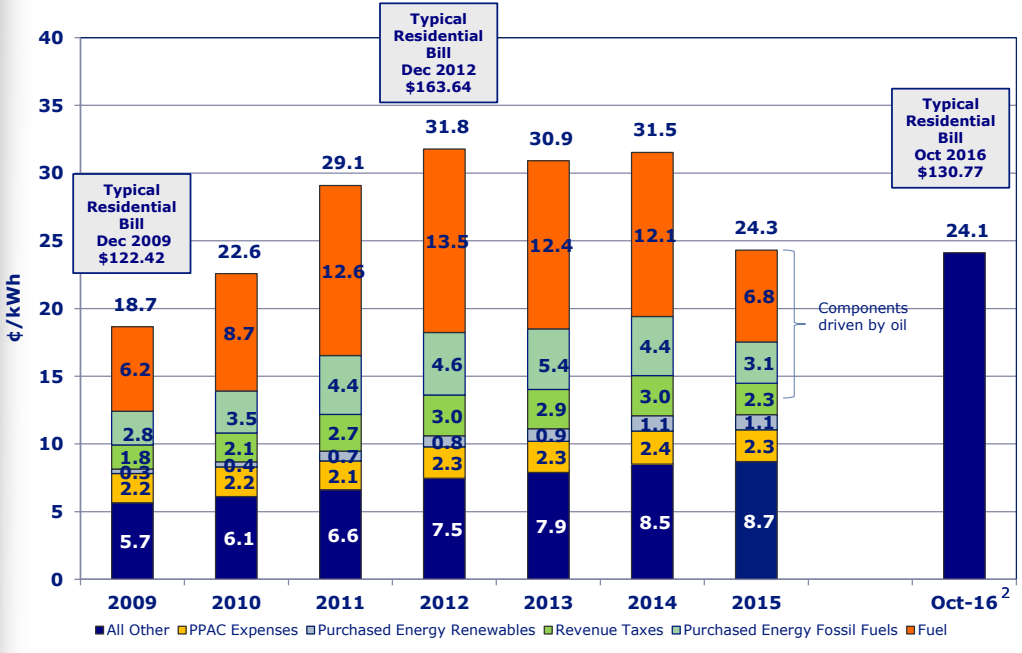



[1] Common equity as a percent of total capitalization



# Oil is the Primary Driver of Volatile Rates in Hawaii

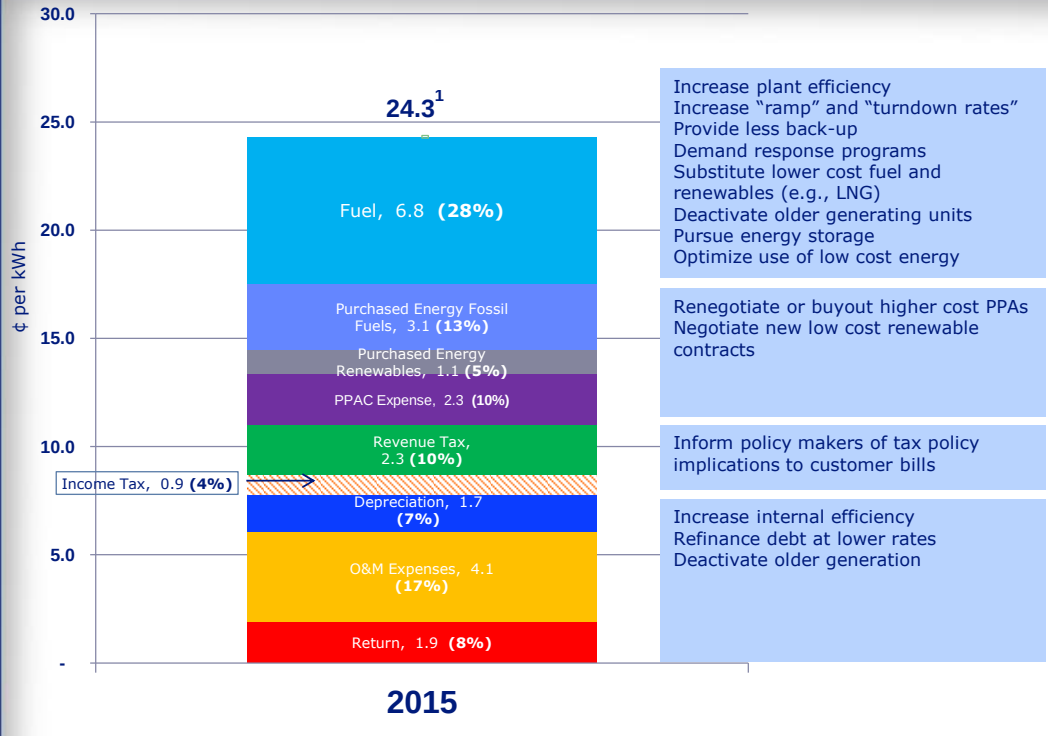
## Breakdown of Hawaiian Electric Rates [1]




[1] Hawaiian Electric Oahu average revenue per kWh sold
[2] Based on the October 2016 energy cost adjustment filing for residential customers only



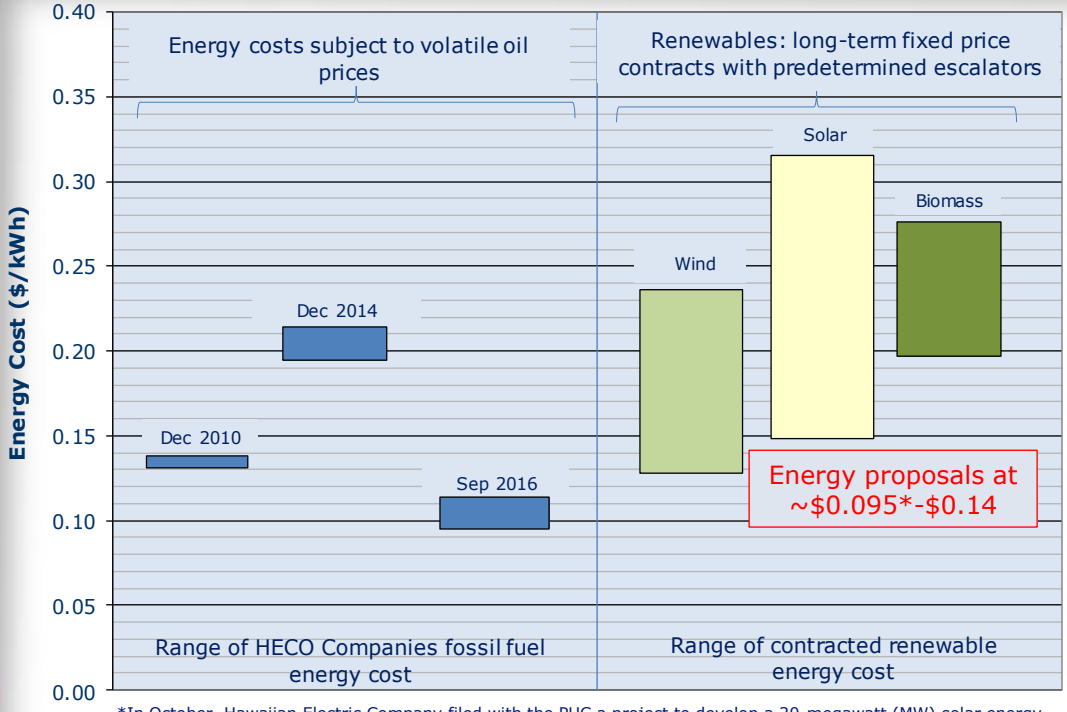
# Reducing Customer Bills By Addressing Every Part of the Bill




[1] Hawaiian Electric Oahu average rate per customer in 2015.



# Renewable Energy Can Be Cost Competitive in Hawaii Depending on Oil Price Volatility

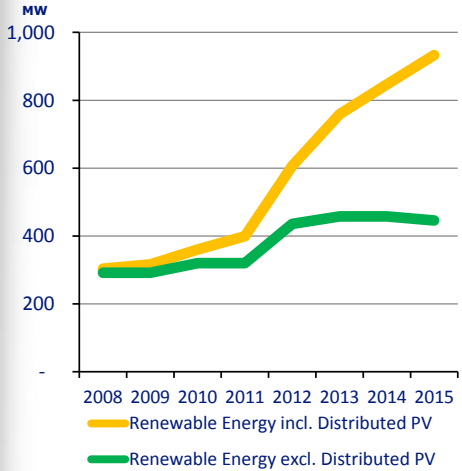



*In October, Hawaiian Electric Company filed with the PUC a project to develop a 20-megawatt (MW) solar energy facility at Joint Base Pearl Harbor-Hickam, West Loch If approved, it would be the lowest cost renewable energy project in the state. Energy produced by this project would cost 9.54 cents per kilowatt-hour.

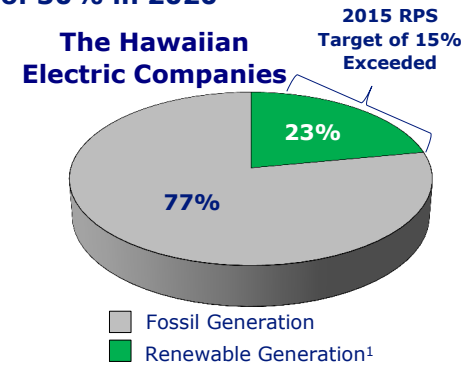


# Committed to Achieve Hawaii's 100% Renewable Energy Goal by 2045

- **National leader in clean energy integration, particularly in rooftop PV**
  - **At times, renewable energy has powered up to ~50% of our Oahu energy needs and up to ~60% on Maui and Hawaii Island**




- **Hawaiian Electric achieved 23%[1] renewables in 2015 -- exceeded 2015 RPS target of 15%**
- **Working to achieve next milestone of 30% in 2020**




- **13% of customers have solar PV in 2015**

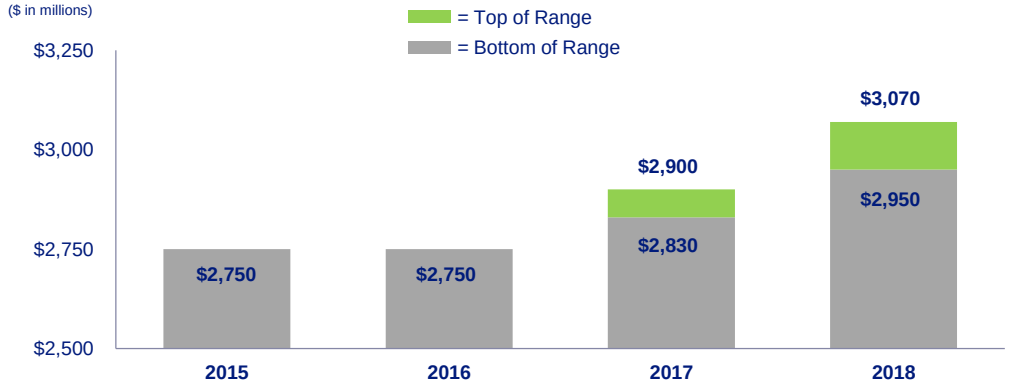
| Energized Systems | 2008 | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| Residential & Commercial PV systems | 850 | ~40K | ~50K | ~60K |
| Megawatts | 12 | 300 | 389 | 487 |

Renewable energy amounts reflect firm generated and contracted capacity
Distributed Photovoltaic (PV) includes Net Energy Metering (NEM), Standard Interconnection Agreements (SIA), Feed-in-Tariff (FIT), Purchase Power Agreement (PPA), non-SIA, and utility owned
[1] Represents the Renewable Portfolio Standard (RPS) as of December 31, 2015 as a percentage of total sales



# Clean Energy & Reliability Projects Drive Capital Investments

## Year End Rate Base Forecast




| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Rate Base Growth | | 0% | 3-5% | 5-7% |
| Capex (net of CIAC) | $319 | $340 | $470 [2] | $500 |
| RAM Plant Addition Cap | | ~$275 | ~$275 | ~$275 |
| Selected Major Projects Capex | | | | |
| • Schofield (PUC Approved) [1] | | $54 | $78 | $22 |
| • ERP (PUC Approved) [1] | | - | 38 | 23 |
| • Hamakua Energy Partners (Pending Approval) [2] | | - | 85 | - |
| • Joint Base Pearl Harbor PV (Pending Approval) | | - | - | 67 |
| • Smart Grid (Pending Procedural Order) [3] | | - | 48 | 96 |

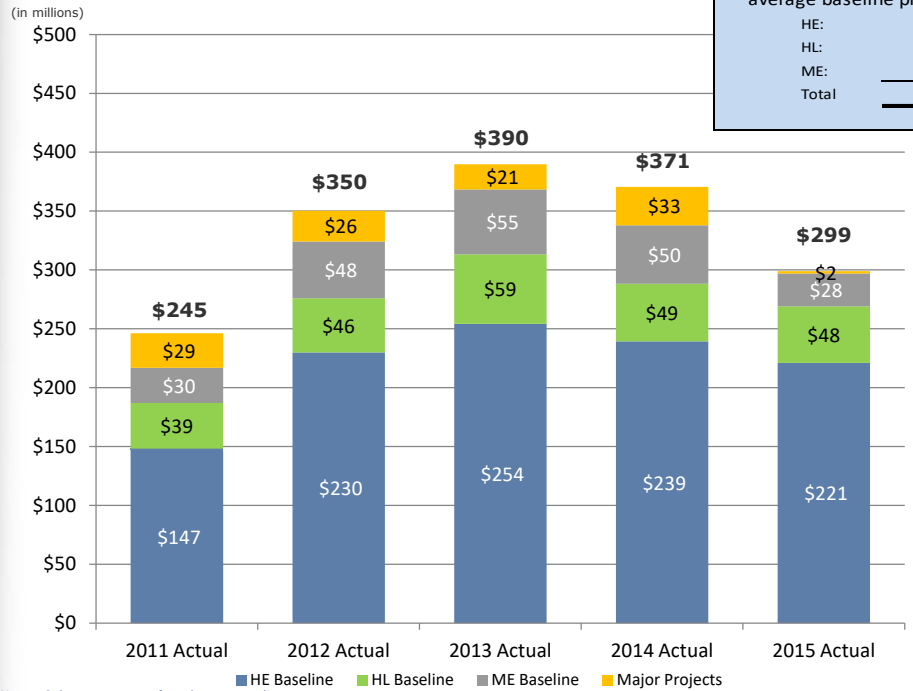
1 Schofield Generating Station and ERP forecasted to be placed into service in 2018
2 Hamakua Energy Partners (HEP) procedural schedule extended into January 2017
3 Smart Grid has multiple estimated plant in-service dates from 2017 through 2021



# Plant Additions – Baseline by Co. & Consolidated Major Projects

**Major Projects = PUC approved projects > $2.5M**

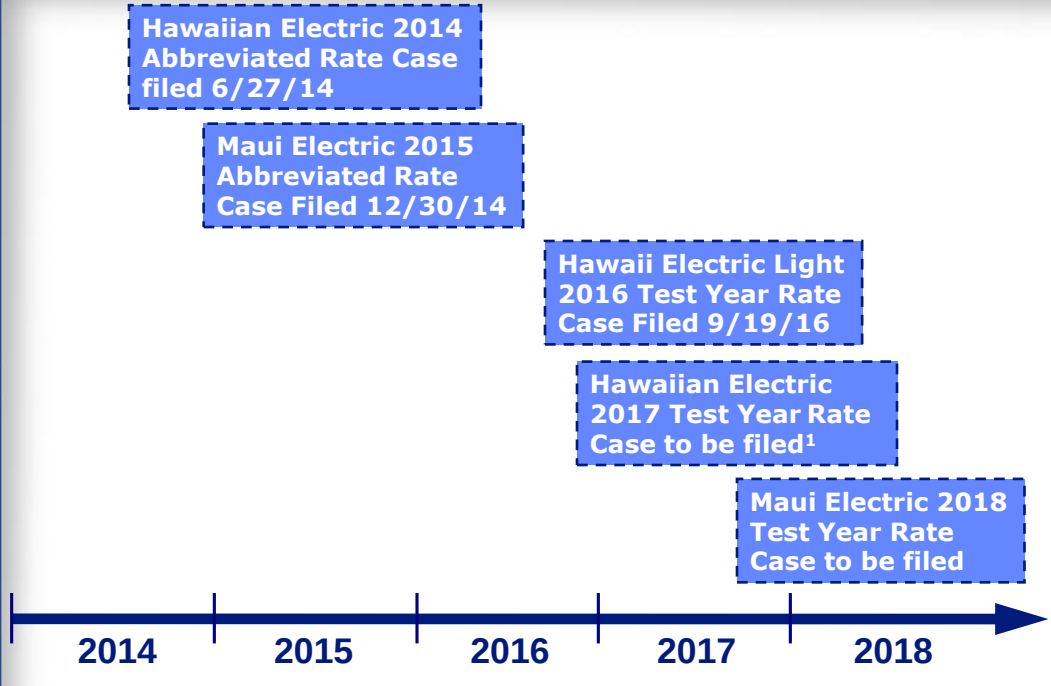
| 5-year (2011-2015) historical average baseline projects: | |
|---|---|
| HE: | $218 |
| HL: | $48 |
| ME: | $42 |
| Total | $308 |




Note: Columns may not foot due to rounding
Beginning in 2015, the rate base RAM is limited to the lesser of the RAM revenue adjustment based on the RAM provision in place prior to Order No. 32735 issued in March 2015 or the RAM Revenue Adjustment Cap (see components of Decoupling slides in the Appendix)



# Rate Case Schedule
## As required by decoupling mechanism




[1] On September 16, 2016, Hawaiian Electric Company, Inc. filed its notice of intent to file a 2017 general rate case application by December 30, 2016.



# Utility Regulatory Model Highlights

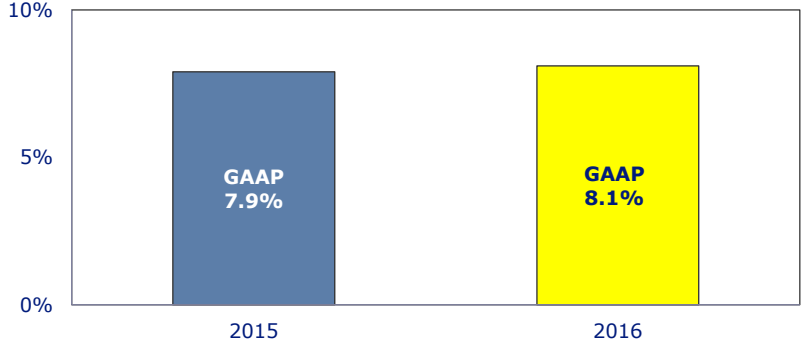
| Mechanisms | Details of Mechanisms |
|---|---|
| **Sales decoupling via a revenue balancing account** | **Predictable revenue stream**<br>• Net revenues fixed at the level approved in the last rate case<br>• Revenues are no longer linked to KWH sales/electricity usage |
| **Rate adjustment mechanism (RAM) for O&M expenses and plant additions** | **Annual escalation of revenues to recover general "inflation" of O&M expenses and plant additions, including associated rate base items between rate cases, subject to a cap based on inflation index** |
| **Energy cost adjustment clause (ECAC)** | **Allows recovery of fuel and energy-related purchased power** |
| **Purchased power adjustment clause (PPAC)** | **Allows surcharge recovery of remaining purchase power expenses not covered in the ECAC** |
| **Pension & OPEB trackers** | **Allows for tracking of recorded pension & OPEB costs and contribution amounts above/below the cost included in rates to be recorded in a separate regulatory asset/liability account** |
| **Renewable Energy Infrastructure Program (REIP)** | **Allows for recovery of renewable energy infrastructure projects through a surcharge** |

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# Utility ROE

## Consolidated Utility ROE[1]
## Twelve Months Ended September 30

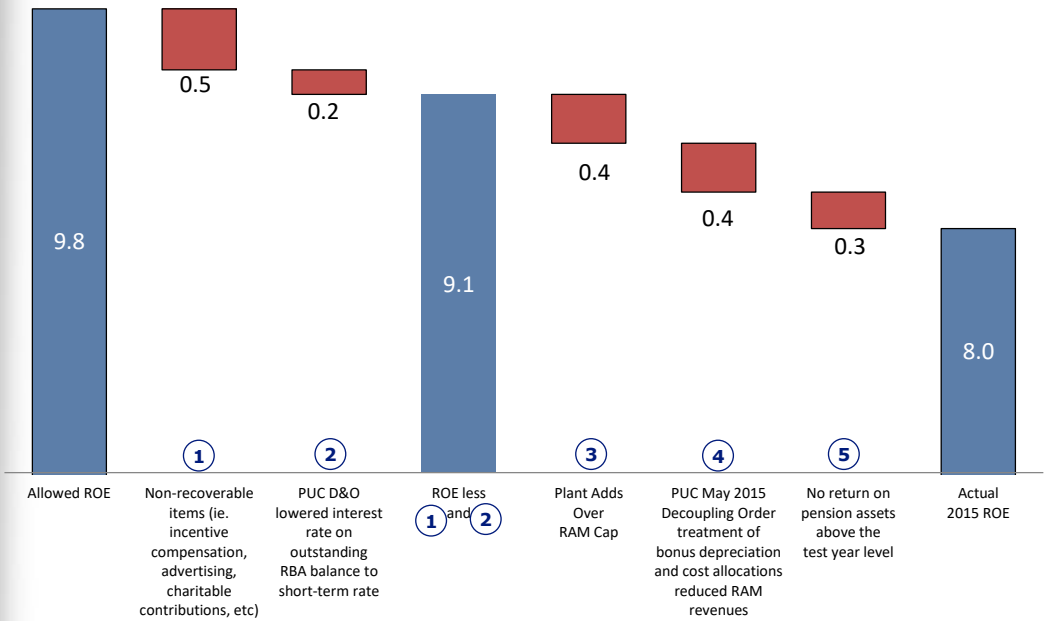



| | Consolidated Utility | Hawaiian Electric | Hawaii Electric Light | Maui Electric |
|---|---|---|---|---|
| 2015 | 7.9% | 7.9% | 6.3% | 9.2%* |
| 2016 | 8.1% | 7.9% | 8.5% | 8.4% |
| Allowed[2] | 9.8% | 10.0% | 10.0% | 9.0% |

[1] Calculated using net income divided by average GAAP common equity, simple average method
[2] Based on PUC decisions in effect on September 30, 2016.
Note: Last base revenue increase change: Hawaiian Electric: 2011 test year; Hawaii Electric Light: 2010 test year; Maui Electric: 2012 test year
* Subject to the earnings sharing mechanism at yearend when > 9%



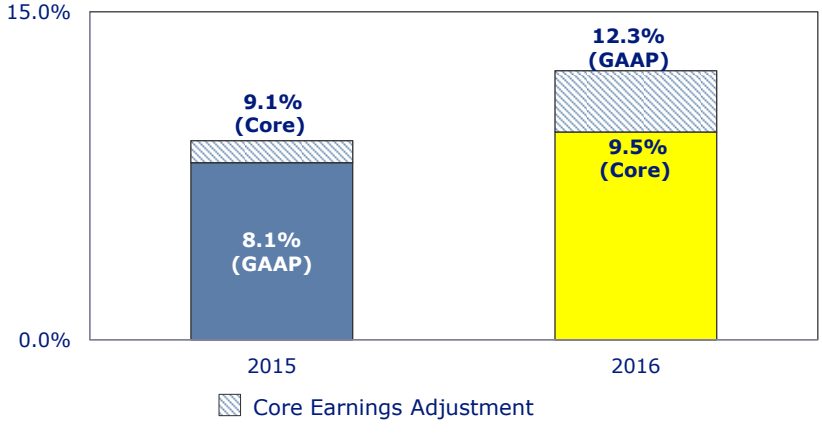
# 2015 Consolidated Utility ROE Lag





# HEI ROE

## Consolidated ROE[1]
## Twelve Months Ended September 30




| | 2015 | 2016 |
|---|---|---|
| | GAAP | GAAP |
| Utility | 7.9% | 8.1% |
| Bank | 9.5% | 9.8% |

See the reconciliation of GAAP to Non-GAAP (Core) measures preceding this presentation

[1] Calculated using net income divided by average GAAP common equity, simple average method



# Power Supply Improvement Plans (PSIP)

## Docket No. 2014-0183 (update submitted April 1, 2016)

- **Vision of how our islands could achieve 100% renewable energy by 2045**
- **April 1, 2016 PSIP highlights:**
  - **Achieves 100% renewable energy for Oahu by 2045, Molokai and Lanai by 2030 and Hawaii Island and Maui by 2040**
  - **Distributed Energy Resources: can grow by more than 250 percent from 2015 levels**
  - **LNG as a transitional fuel, combined with more efficient and flexible modern generation provides path with lowest cost and carbon footprint to achieve 100% renewable energy goal**
- **April 1, 2016 PSIP near term 5-year action plans include:**
  - **Modernizing existing grid**
    - **Filed Smart Grid application March 31, 2016**
    - **$340 million project costs: beginning in 2017 on Oahu and 2018 on Hawaii Island and Maui, implemented over 5 years**
  - **Increasing installed rooftop solar**
  - **Developing ~350 MW of additional new generating capacity through renewable energy projects across five islands**
  - **Incorporating DR programs, including energy storage options**
  - **Implementing community-based renewable energy programs**
  - **Pursuing generation modernization and LNG**
  - **Implementing System Security projects which include synchronous condensers and contingency energy storage**
- **Next steps:**
  - **Update by December 23, 2016 per Commission's order**
  - **Reassess scope, requirements and feasibility of inter-island cables**
  - **Evaluate other potential long-term renewable resource options**
  - **Update for impact of NEE merger termination**
  - **Parties' Statement of Position due February 6, 2017**

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# Regulatory Response Framework: Response to D&Os

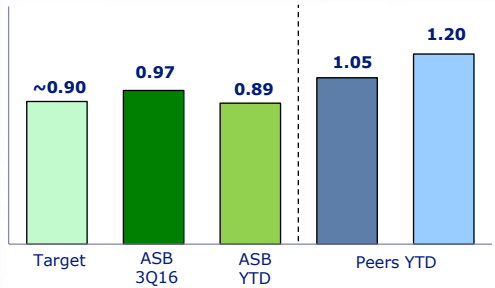
## Regulatory Response Framework

| Demand Response (DR) | Distributed Generation (DG) 2.0 | | Resource Portfolio |
|---|---|---|---|
| **Integrated Demand Response Portfolio Plan (IDRPP)** | **Integrated Interconnection Queue** | **Distributed Generation Interconnection Plan** | **Power Supply Improvement Plans** |
| • Portfolio of DR programs to:<br>– Assist in the integration of additional renewable resources into the grid<br>– Deliver a wide range of grid services, including both capacity and ancillary services<br>• Demand Response Management System (DRMS) will enable the DR programs<br>• DR programs will be an important resource on Hawaii's island grids | • Comprehensive guidelines for all DG programs to make the process as clear and fair as possible<br>• Launched online integrated interconnection queue tool for customers and developers to track renewable generation project interconnection on January 30, 2015 | • Addresses critical distribution system issues:<br>– DG interconnection capacity analysis<br>– advanced DER (distributed energy resources) technology utilization plan<br>– DG improvement implementation plan<br>• Outlines a sustainable approach for DG that includes options for customers with a focus on fairness, reliability, and safety<br>• D&O 33258: approved customer self-supply and customer grid supply tariffs; time of use rates to be established; current NEM program closed | • Defines a grid road map through 2045<br>• Addresses resource issues:<br>– generation fleet adequacy<br>– optimal renewable energy portfolio plan<br>– role of storage<br>• Provides system reliability analyses to demonstrate that the grid can be operated reliably with substantially greater quantities of renewable energy resources<br>• D&O 33320: Admitting Intervenors and Participants, Identifying Observations and Concerns, Specifying initial statement of Issues, and Establishing Schedule of Proceedings for the PSIP docket |
| **Filed IDRPP**: July 28, 2014<br>**Filed IDRPP Update:** March 31, 2015<br>**Filed DRMS Executed Contract:** September 2, 2016<br>**Filed (interim) DR Program Portfolio Implementation Timeline** August 31, 2016 | **Filed:** August 26, 2014 | **Filed:** August 26, 2014<br>**Filed TDG:** January 20, 2015<br>**Filed SOP:** June 29, 2015 | **Filed:** August 26, 2014<br>**Filed Update:** April 1, 2016 |
| **Docket Nos.:** 2007-0341; 2015-0411; and 2015-0412 | **Docket:** 2014-0192 | **Docket:** 2014-0192; **Order No**. 33258 | **Docket:** 2014-0183; **Order No.** 33320 |

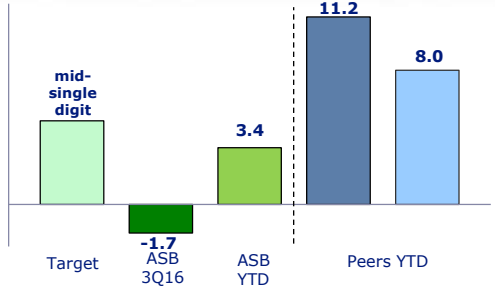


# Bank YTD Performance On Track to Meet 2016 Targets

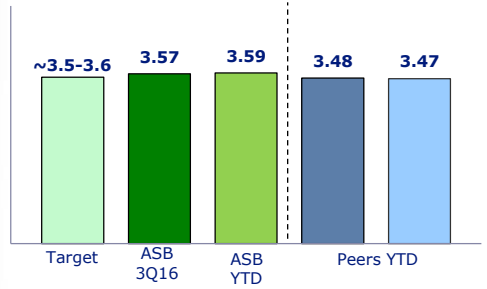
**Return on Assets (%)**



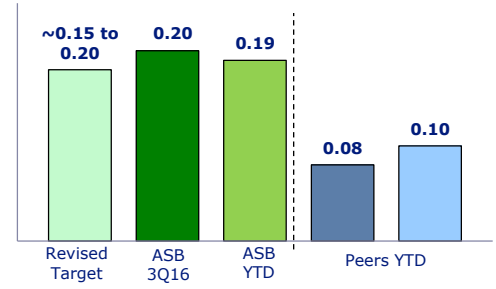

**Loan Growth (%)**




**Net Interest Margin (%)**




**Net Charge-offs (%)**




ASB Target | ASB QTD Annualized | ASB YTD Annualized | Peers[1] | High Performing Peers[2]

Source for peer data: SNL Financial (based upon data available as of November 28, 2016)
Note: Quarterly information is annualized
[1] Median for peer group based on publicly traded banks and thrifts between $3.5B and $8B in total assets and not subject to the Durbin Amendment caps limiting interchange fees. See appendix.
[2] Median for peer group of 18 high performing banks and not subject to the Durbin Amendment caps limiting interchange fees. See appendix.

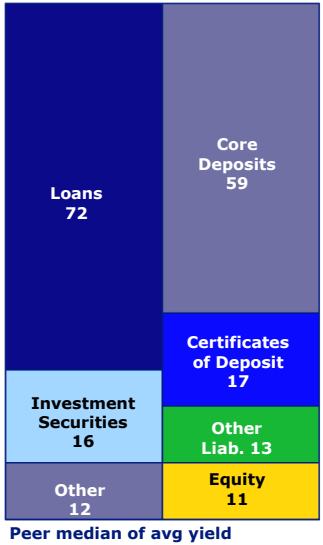


# Quality Balance Sheet

- **Overall loan-to-deposit ratio of 89%**
- **100% of ASB loans funded with low-cost core deposits**

**Peer Banks[1]**

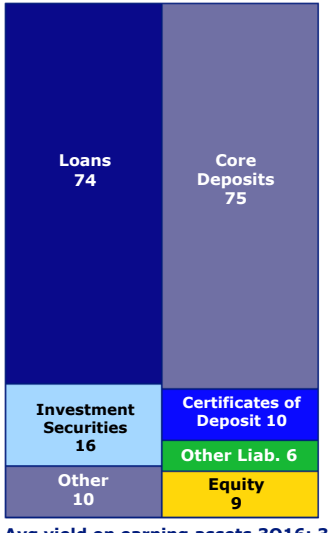
**9/30/16 (%)**




**Peer median of avg yield on earning assets 3Q16: 4.01%**
**Peer median of avg cost of funds 3Q16: 0.47%**

**ASB**

**9/30/16 (%)**



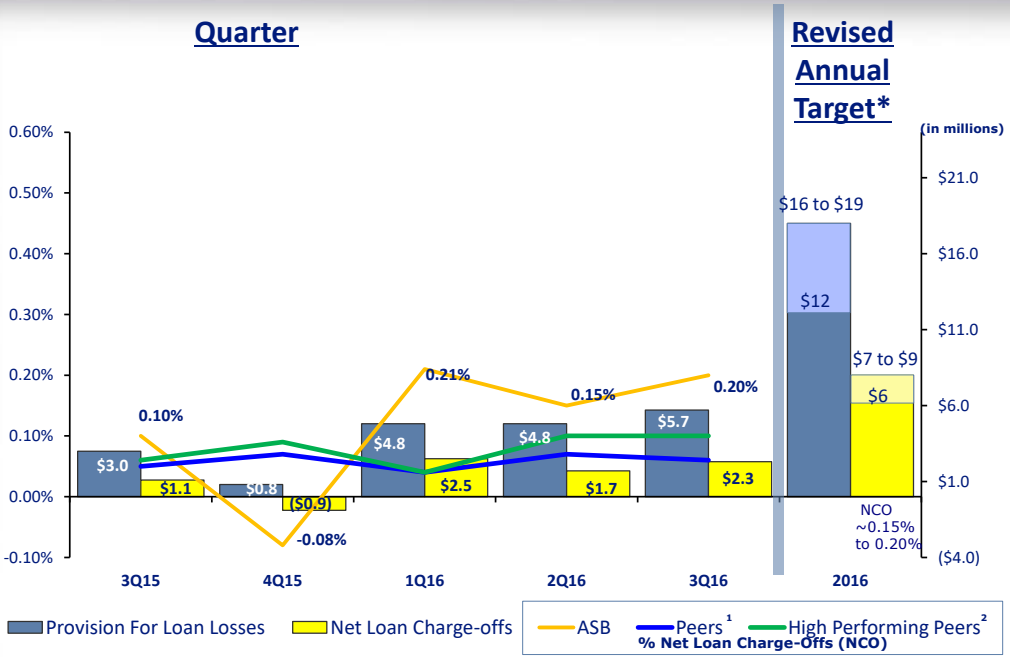

**Avg yield on earning assets 3Q16: 3.80%**

**Avg cost of funds 3Q16: 0.24%**

Source for peer data: SNL Financial (based on data available as November 28, 2016)
[1] Peer group based on publicly traded banks and thrifts between $3.5B and $8B in total assets. See appendix.



# Credit quality



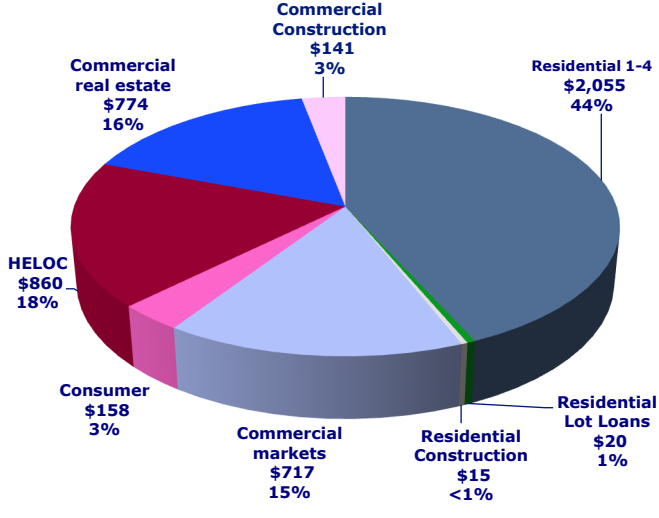

Source for peer data: SNL Financial (based upon data available as of November 28, 2016)
Annualized quarterly net loan charge-offs ratio reflected as a percentage of average loans held during the period.
[1] Median for peer group based on publicly traded banks and thrifts between $3.5B and $8B in total assets. See appendix.
[2] Median for peer group of 18 high performing banks. See appendix.
* Provision range was previously $8 million to $12 million; NCO ~15 bps



# Low Risk Loan Mix

- Maintaining targeted loan mix to improve interest rate risk
- Overall asset quality remains strong (Nonperforming assets to total loans and real estate owned of 1.12%)

**September 30, 2016**



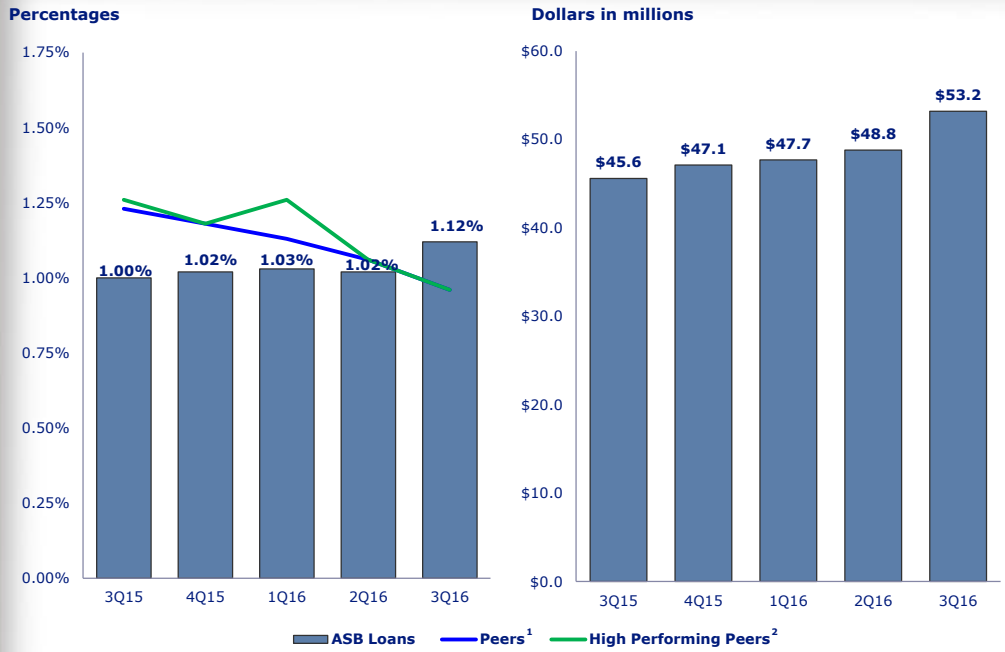

**Total loans - $4.7B[1]**

Note: $ in millions, unless otherwise noted

[1] Before deferred fees, discounts and allowance for loan losses



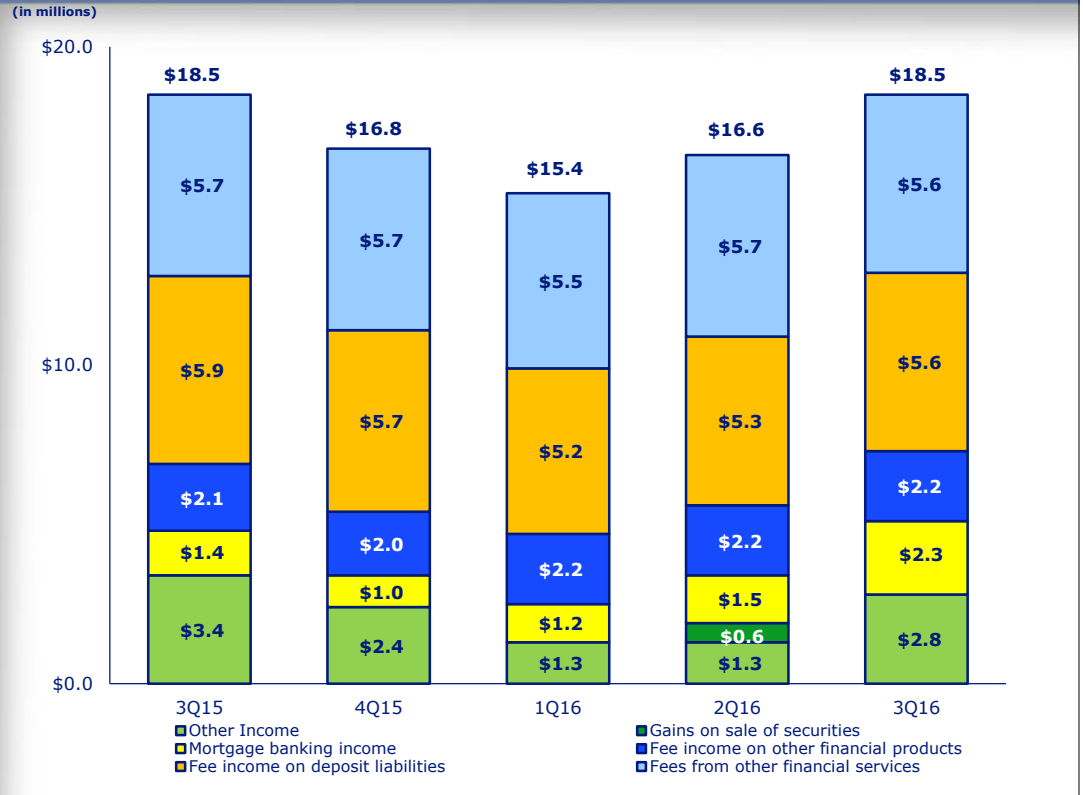
# Nonperforming Assets Ratio




Source for peer data: SNL Financial (based upon data available as of November 28, 2016)
Percentages represent regulatory nonperforming assets to regulatory end of period loans and real estate owned.
[1] Median for peer group based on publicly traded banks and thrifts between $3.5B and $8B in total assets. See appendix.
[2] Median for peer group of 18 high performing banks. See appendix.



# Pretax Noninterest Income





# In Summary

- **HEI remains a strong company that is well-positioned to achieve its goals of providing long-term value for our customers, community, employees and shareholders**
- **Hawaiian Electric Company**
  - Industry leader for integrating renewables and distributed generation
  - Focused on expanding customer options and lowering customer bills
- **American Savings Bank**
  - Continue focus on improving earnings and efficiency
- Attractive **dividend yield** of 4.0%[1]

[1] As of November 28, 2016



# 2016 Core EPS Guidance[1]
(as of November 4, 2016)

**HEI Core EPS: $1.72 – $1.78 per share**

- No new equity issuances other than DRIP estimated at ~$35 million

**Utility Core EPS: $1.28 – $1.36**

Key Assumptions:

- Decoupling model: March 2015 D&O
- O&M[2]: expect O&M at 2% below 2015 levels
- Fuel efficiency: similar to rate case levels; however, subject to change due to demands on the system
- Rate base growth: flat based upon 2016 capex of $340 million
- Equity capitalization: rate case levels
- LT debt: ~$40 million of new issuances to support capex plan
- ROACE of ~8%

**Bank: $0.50 – $0.54**

Key Assumptions:

- Net interest income: mid-single digit loan growth
- NIM: ~3.5% to 3.6%
- Noninterest income: Steady fees and mortgage banking income
- Provision expense: $16 million to $19 million range
- Net charge-offs: 15 to 20 bps
- ROA of ~0.90%

Note: Holding company & other net loss estimated at **~$0.06 - $0.09**, excluding any merger & spinoff related income and expenses
1 See the reconciliation of 2016 non-GAAP (core) EPS guidance to GAAP EPS guidance preceding this presentation
2 Excludes O&M expenses covered by surcharges or by third parties that are neutral to net income and non-core merger-related expenses

Reference the forward-looking statements disclosure accompanying the presentation which provides additional information on important factors that could cause results to differ. The company undertakes no obligation to publicly update or revise forward-looking statements, including EPS guidance, whether as a result of new information, future events, or otherwise. See also the forward-looking statements and risk factors in the 2015 SEC Form 10-K for the year ended December 31, 2015 and SEC form 10-Q for the quarter ended September 30, 2016 when filed.

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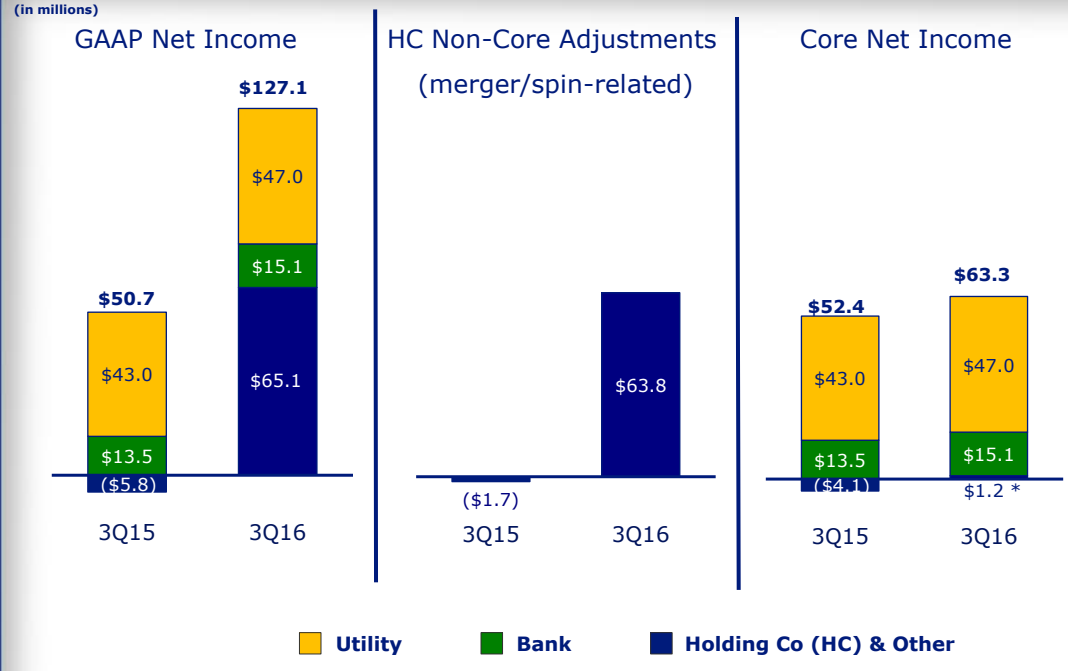


# Appendix



# Consolidated 3Q Earnings – Net Income

(in millions)



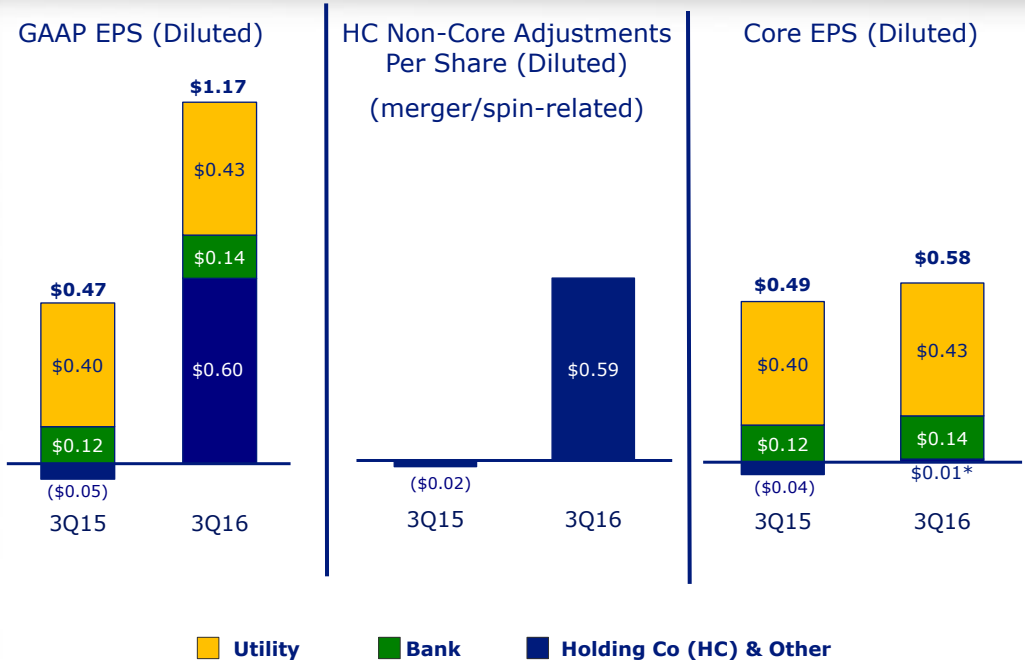

* Includes $6 million favorable tax benefits as HEI moved out of a federal net operating loss position

Note: Columns may not foot due to rounding

See the reconciliation of GAAP to Non-GAAP (Core) measures preceding this presentation



# Consolidated 3Q Earnings - EPS



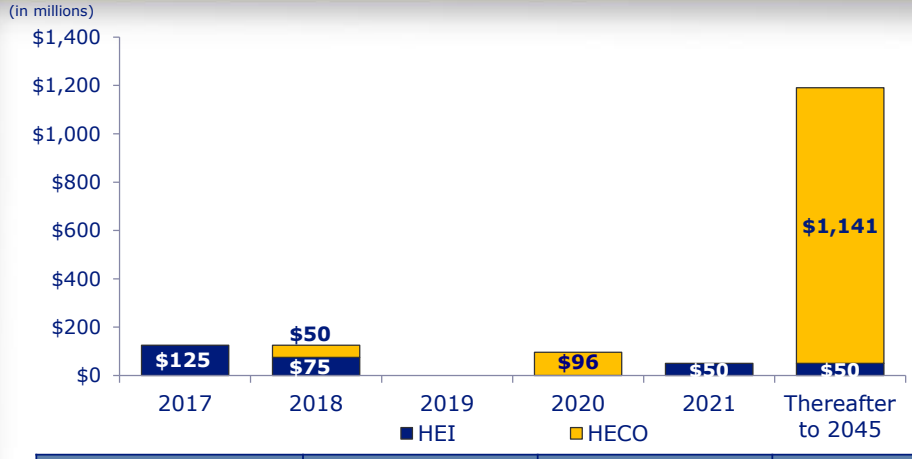

* Includes $0.06 per share favorable tax benefits as HEI moved out of a federal net operating loss position

Note: Columns may not foot due to rounding

See the reconciliation of GAAP to Non-GAAP (Core) measures preceding this presentation



# Debt Maturities* & Credit Ratings




| Credit Ratings | HEI | HECO | ASB |
|---|---|---|---|
| S&P[1] | BBB-/Stable/A-3 | BBB-/Stable/A-3 | BBB/Stable/A-2 |
| Moody's[2] | Not rated/Stable/P-3 | Baa2/Stable/P-2 | Baa1/Stable/P-1 |
| Fitch[3] | BBB/Stable/F3 | BBB+/Stable/F2 | n/a |

Note: Latest debt maturities data as of September 30, 2016

[1] Source for ratings: July 2016 (HEI, HECO) & January 2015 (ASB) S&P reports

[2] Source for ratings: August 2016 (HEI & HECO) & July 2016 (ASB) Moody's reports

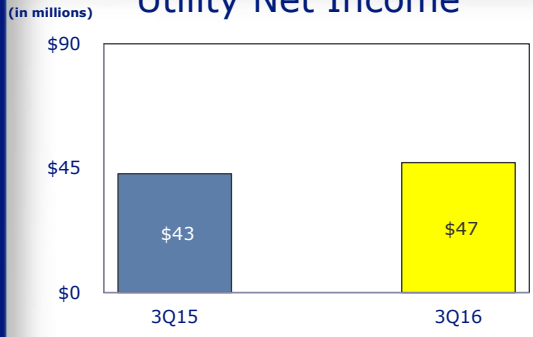
[3] Source for ratings: July 2016 (HECO & HEI) Fitch reports

* Excludes debt expenses of $8 million (does not reflect the adoption of ASU No. 2015-03, Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs)



# 3Q16 Utility & Bank Financial Highlights

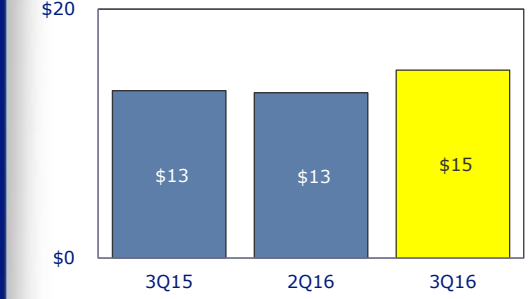
## Utility Net Income




| Key utility core earnings drivers fav/(unfav) ($ in millions after-tax) | 3Q16 vs 3Q15 |
|---|---|
| Net revenues*: | |
| Recovery of investments & costs | 2 |
| Fuel efficiency | (2) |
| Net revenues | -- |
| O&M, excluding net income neutral items | 5 |
| Depreciation | (1) |

*Net revenues is "Revenues" less the following expenses: "fuel oil," "purchased power," and "taxes, other than income taxes"

## Bank Net Income

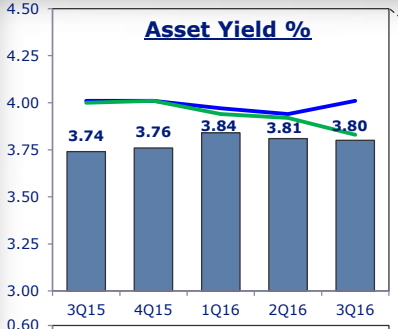


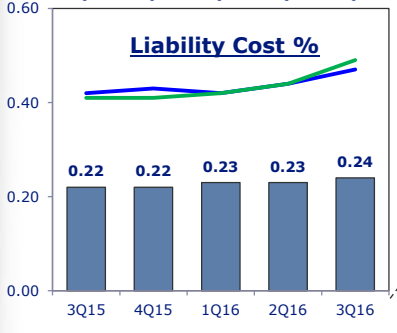

| Key bank earnings drivers fav/(unfav) ($ in millions after-tax) | 3Q16 vs 2Q16 | 3Q16 vs 3Q15 |
|---|---|---|
| Net interest income | 1 | 2 |
| Provision for loan losses | (1) | (2) |
| Noninterest income | 1 | -- |
| Noninterest expense | -- | -- |

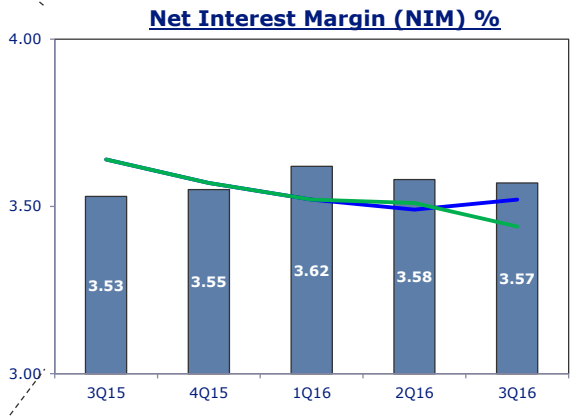
Note: Columns may not foot due to rounding



# Net Interest Margin




ASB | Peers[1] | High Performing Peers[2]

Source for peer data: SNL Financial (based upon data available as of November 28, 2016)
Asset Yield: Total interest income as a percentage of average interest-earning assets
Liability Cost: Total interest expense as a percentage of average interest-bearing and non-interest bearing liabilities
Net Interest Margin: Net interest income as a percentage of average interest-earning assets
[1] Median for peer group based on publicly traded banks and thrifts between $3.5B and $8B in total assets. See appendix.
[2] Median for peer group of 18 high performing banks. See appendix.



# ASB Peer Group – 2016

| | | |
|---|---|---|
| * | 1st Source Corporation | SRCE |
| | Ameris Bancorp | ABCB |
| | BancFirst Corporation | BANF |
| * | BBCN Bancorp, Inc. | BBCN |
| | Berkshire Hills Bancorp, Inc. | BHLB |
| | BNC Bancorp | BNCN |
| | Boston Private Financial Holdings, Inc. | BPFH |
| | Bridge Bancorp, Inc. | BDGE |
| | Brookline Bancorp, Inc. | BRKL |
| | Capital Bank Financial Corp. | CBF |
| | Cardinal Financial Corporation | CFNL |
| | CenterState Banks, Inc. | CSFL |
| | Central Pacific Financial Corp. | CPF |
| | Century Bancorp, Inc. | CNBKA |
| * | City Holding Company | CHCO |
| * | Community Trust Bancorp, Inc. | CTBI |
| | ConnectOne Bancorp, Inc. | CNOB |
| * | CVB Financial Corp. | CVBF |
| | Dime Community Bancshares, Inc. | DCOM |
| * | Eagle Bancorp, Inc. | EGBN |
| | Enterprise Financial Services Corp | EFSC |
| * | Farmers & Merchants Bank of Long Beach | FMBL |
| | FCB Financial Holdings, Inc. | FCB |
| | Fidelity Southern Corporation | LION |
| | First Busey Corporation | BUSE |
| | First Commonwealth Financial Corporation | FCF |
| * | First Financial Bankshares, Inc. | FFIN |
| | First Merchants Corporation | FRME |
| | Flushing Financial Corporation | FFIC |
| | Great Southern Bancorp, Inc. | GSBC |
| | Green Bancorp, Inc. | GNBC |
| * | Hanmi Financial Corporation | HAFC |
| | Heartland Financial USA, Inc. | HTLF |
| | Heritage Financial Corporation | HFWA |
| | HomeStreet, Inc. | HMST |
| | Independent Bank Corp. | INDB |
| | Independent Bank Group, Inc. | IBTX |
| | Lakeland Bancorp, Inc. | LBAI |
| * | Lakeland Financial Corporation | LKFN |
| | LegacyTexas Financial Group, Inc. | LTXB |
| | Meridian Bancorp, Inc. | EBSB |
| | National Bank Holdings Corporation | NBHC |
| | Opus Bank | OPB |
| * | Oritani Financial Corp. | ORIT |
| * | Park National Corporation | PRK |
| | Renasant Corporation | RNST |
| | Republic Bancorp, Inc. | RBCAA |
| * | S&T Bancorp, Inc. | STBA |
| | Sandy Spring Bancorp, Inc. | SASR |
| | Seacoast Banking Corporation of Florida | SBCF |
| * | ServisFirst Bancshares, Inc. | SFBS |
| | Simmons First National Corporation | SFNC |
| | Southside Bancshares, Inc. | SBSI |
| * | Talmer Bancorp, Inc. | TLMR |
| | Tompkins Financial Corporation | TMP |
| | TowneBank | TOWN |
| | TriCo Bancshares | TCBK |
| | TrustCo Bank Corp NY | TRST |
| | Union Bankshares Corporation | UBSH |
| | United Financial Bancorp, Inc. | UBNK |
| * | Washington Trust Bancorp, Inc. | WASH |
| * | Westamerica Bancorporation | WABC |
| * | Wilshire Bancorp, Inc. | WIBC |
| | WSFS Financial Corporation | WSFS |
| | Yadkin Financial Corporation | YDKN |

Note: Based on year-end 2015 data of publicly traded banks and thrifts between $3.5 billion and $8.0 billion in assets (based upon data available in SNL as of February 1, 2016)
The peer group is updated annually in December and banks that no longer report as a separate entity (e.g., mergers, acquisitions, failed banks, etc.) are not included in the median calculations from the time of the transaction or failure
* Subset of 18 banks representing ASB's high performing peer group, based on a 3-year average return on average assets rank above the 70th percentile



# Components of Decoupling

(Hawaii PUC Docket number: 2008-0274)
(Hawaii PUC Docket number for the Decoupling Review: 2013-0141)

| Components | |
|---|---|
| **1. Sales decoupling via a Revenue Balancing Account (RBA)** | **Delinks utility revenues from electricity usage**<br>▪ GAAP revenue = revenue approved in the last rate case (interim or final)<br>▪ Recorded revenues adjusted monthly in the RBA<br>▪ Target (decoupling) revenues will be allocated as follows: |

| | 1Q | 2Q | 3Q | 4Q |
|---|---|---|---|---|
| Hawaiian Electric | 23.46% | 24.75% | 26.49% | 25.30% |
| Hawai'i Electric Light | 24.23% | 24.54% | 25.87% | 25.36% |
| Maui Electric | 23.92% | 24.77% | 26.21% | 25.10% |

▪ On a cash basis, RBA annually trued-up in rates beginning June of the following year; interest recorded monthly by multiplying average of beginning and ending month balance in RBA net of deferred tax times (1.75% for Hawaiian Electric, 3.25% for Hawai'i Electric Light, 1.25% for Maui Electric) divided by 12



# Components of Decoupling

(Hawaii PUC Docket number: 2008-0274)
(Hawaii PUC Docket number for the Decoupling Review: 2013-0141)

| Components | |
|---|---|
| **2. RAM Revenue Adjustment Allowed** (Order No. 32735) | **Lesser of:**<br>▪ **2a** - RAM Revenue Adjustment based on the RAM provisions in place prior to Order No. 32735* –or-<br>▪ **2b** - RAM Revenue Adjustment Cap ("RAM Cap") |
| **2a. RAM Revenue Adjustment** Determined According to Tariffs and Procedures Prior to Order No. 32735<br><br>(2 components) | **Base Expenses (O&M) – Component 1**<br>▪ Base expenses = expense levels in the last approved rate case (interim or final), adjusted for annual indexed increases, and excluding expenses covered by a separate tracking mechanism[1] and increases in labor expenses for merit employees since the last approved rate case<br>  ▪ Union labor escalation rate = rate per the union labor agreement less 0.76% productivity factor<br>  ▪ Non-labor escalation rate = consensus estimated annual change in GDPPI per the Blue Chip Economic Indicators published each February<br>▪ O&M in excess of the last rate case level and/or the indexed increases, is not covered by the RAM<br>▪ Annually, O&M RAM adjustment filed by 3/31 and adjusted rates commence on 6/1 for following 12 month period, if not suspended |

* With the exception of the 90% limitation on the incremental rate base RAM
[1] Includes fuel, purchased power, DSM, pension, other post employment benefits, approved projects under the clean energy infrastructure surcharge and the purchased power adjustment clause.



# Components of Decoupling

(Hawaii PUC Docket number: 2008-0274)
(Hawaii PUC Docket number for the Decoupling Review: 2013-0141)

| Components | |
|---|---|
| **2a. RAM Revenue Adjustment** Determined According to Tariffs and Procedures Prior to Order No. 32735 | **RAM for Rate Base – Component 2**<br>▪ **Change in rate base compared to test year levels in last rate case, for certain items including annual adjustment for plant additions, associated rate base items and depreciation expense**<br>Rate Base RAM - Return on Investment Adjustment (ROIA)<br>▪ Major Capital Projects (> $2.5M): average annual amount based on prior year ending balance (at project amounts not to exceed amounts approved by the PUC) and projected ending balance for the current year (based on approved projects scheduled to be in service by Sep 30th of the current year, at amounts approved by the PUC)<br>▪ Baseline Capital Projects (≤ $2.5M): average annual amount based on the prior year ending balance (actual) and projected ending balance for the current year (based on simple average of preceding 5 years)<br>▪ Offset by avg balances for accumulated depreciation, contributions in aid of construction and plant related deferred income taxes<br>▪ Rate Base RAM - Return on Investment Adjustment (ROIA) (i.e., ROR times the change in rate base from the last rate case)<br>Depreciation & Amortization: Recovery of incremental depreciation and contributions in aid of construction amortization compared to test year levels in last rate case<br>▪ Annually, rate base RAM adjustment filed by 3/31 and adjusted rates commence on 6/1 for following 12 month period, if not suspended |

Examples of items not covered in 2a:
•Non-labor O&M increases > GDPPI
•Non-union labor expense increases
•Costs for large capital projects > PUC approved estimate
•Costs for base-level capital projects > 5-year historical average, until following year
•Investments other than plant (e.g., software projects, fuel inventory)



# Components of Decoupling

(Hawaii PUC Docket number: 2008-0274)
(Hawaii PUC Docket number for the Decoupling Review: 2013-0141)

| Components | |
|---|---|
| **2b. RAM Revenue Adjustment Cap** (Order No. 32735) | **Cumulative RAM for 2016 RAM Revenue Adjustment –**<br>▪ Prior year RAM Cap Target Revenues times GDPPI (1.5% for 2016) + prior year RAM Cap Revenue Adjustment |
| **3. Major Projects** (Order No. 32735) | If subject to RAM Cap, companies may apply for approval of recovery of major projects (and related baseline projects grouped together for consideration as major projects) above the RAM cap or outside of the RAM. |
| **4. Earnings Sharing Credit** | **Sharing of earnings with customers for ratemaking ROE > 10% for Hawaiian Electric and Hawai'i Electric Light; 9% for Maui Electric**<br>▪ First 100 bps = 25% sharing with customers<br>▪ Next 200 bps = 50% sharing with customers<br>▪ Exceeding 300 bps = 90% sharing with customers |



# Hawai'i Electric Light Rate Case: 2016 Test Year

(Hawaii PUC Docket number: 2015-0170)

| | Application (9/19/16) |
|---|---|
| Amount requested | $19.3M (6.5% increase over revenues at current effective rates) [1] |
| Deprec. & amort. Expenses | $37.8M |
| Return on average common equity | 10.60% with mechanisms |
| Common equity capitalization (%) | 57.12% |
| Return on rate base | 8.44% |
| Average rate base amount | $479M |
| GWh sales | 1,040.7 |

**Existing Balancing Accounts, Trackers and/or Surcharges**

Decoupling Revenue Balancing Account/Revenue Adjustment Mechanism; ECAC: Fuel & Purchased Energy; Pension & OPEB Trackers; DSM Surcharge; Renewable Energy Infrastructure Surcharge and Purchase Power Adjustment Clause.

1 Revenues at current effective rates include revenues based on the Final rates approved in Hawai'i Electric Light's 2010 test year rate case and revenues from the ECAC, the Purchased Power Adjustment Clause ("PPAC"), the RAM Revenue Adjustment for the 2016 RAM period, and the RBA and other operating revenues.

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# Hawai'i Electric Light Rate Case: 2010 Test Year

(Hawaii PUC Docket number: 2009-0164)

| | Application (12/9/09) | Interim D&O (1/14/11) | Adj Interim D&O[3] (1/1/12) | Final D&O[4] (4/9/12) |
|---|---|---|---|---|
| Amount requested | $20.9M[1] (6% increase) | $6.0M[2] (1.7% increase) | $5.2M[2] (1.5% increase) | $4.5M[2] (1.3% increase) |
| Deprec. & amort. Expenses | $32.3M | $31.7M | $31.7M | $31.3M |
| Return on average common equity | 10.75% with mechanisms<br>11.00% without mechanisms | 10.50% without mechanisms | 10.50% without mechanisms | 10.00% with mechanisms |
| Common equity capitalization (%) | 55.91% | 55.91% | 55.91% | 55.91% |
| Return on rate base | 8.73% | 8.59% | 8.59% | 8.31% |
| Average rate base amount | $487M[1] | $465M[2] | $465M[2] | $465M[2] |
| GWh sales | 1,122.6 | 1,122.6 | 1,122.6 | 1,122.6 |

**Existing Balancing Accounts, Trackers and/or Surcharges**

Decoupling Revenue Balancing Account/Revenue Adjustment Mechanism; ECAC: Fuel & Purchased Energy; Pension & OPEB Trackers; DSM Surcharge; Renewable Energy Infrastructure Surcharge and Purchase Power Adjustment Clause.

[1] Current effective rates are based on the Interim D&O in Hawai'i Electric Light's 2006 TY rate case. Average rate base in that D&O was $357M.

[2] Current effective rates are based on the Final rates in Hawai'i Electric Light's 2006 TY rate case. Average rate base in that D&O was $357M.

[3] In January 2011, the Commission approved the adjustment from $6.0M to $5.2M to incorporate the bargaining unit benefit adjustments that went into effect on January 1, 2012.

[4] Decision and Order No. 30168 directed Hawai'i Electric Light to file as soon as reasonably practicable its revised results of operations and tariff sheets based on the newly approved depreciation rates, the ROE of 10.00% and other provisions of the D&O. On April 4, 2012, the Commission approved the revised revenue requirements and tariff sheets, with rates effective April 9, 2012.



# Hawaiian Electric Rate Case: 2011 Test Year

(Hawaii PUC Docket number: 2010-0080)

| | Application (7/30/10) | Interim D&O (7/26/11) | Adjusted Interim D&O (5/21/12) | Final D&O (9/1/12) |
|---|---|---|---|---|
| Base Request | $74M (4.3% increase) | $53.2M[2] (3.1% increase) | $58.8M[2,3] (3.4% increase) | $58.1M[4] (3.4% increase) |
| New Programs | $40M (2.3% increase) | | | |
| Deprec. & amort. expenses | $90.1M | $87.5M | $88.8M | $88.8M |
| Return on average common equity | 10.75% with mechanisms | 10.00% with mechanisms | 10.00% with mechanisms | 10.00% with mechanisms |
| Common equity capitalization (%) | 56.29% | 56.29% | 56.29% | 56.29% |
| Return on average rate base | 8.54% | 8.11% | 8.11% | 8.11% |
| Average rate base amount[1] | $1.569B | $1.354B | $1.386B | $1.386B |
| GWh sales | 7,469.5 | 7,469.5 | 7,469.5 | 7,469.5 |

**Existing Balancing Accounts, Trackers and/or Surcharges**

Decoupling Revenue Balancing Account/Revenue Adjustment Mechanism; ECAC: Fuel & Purchased Energy; Pension & OPEB Trackers; DSM Surcharge; Renewable Energy Infrastructure Surcharge and Purchased Power Adjustment Clause.

[1] Current effective rates are based on the Final D&O in Hawaiian Electric's 2009 test year rate case. Average rate base in that D&O was $1.25B.

[2] Including the impact of $15M (0.9%) in annual revenues which were being recovered through the decoupling Revenue Adjustment Mechanism.

[3] On February 24, 2012, the Commission ordered the Company to include the ERP/EAM system evaluation costs into base rates. On March 13, 2012, the Commission approved a decrease of $0.5M to the interim rate relief for modifications to the composite income tax rate, DSM and regulatory commission expenses. On March 29, 2012, the Commission approved an upward adjustment of $5.5M to the interim for remaining EOTP costs. On May 14, 2012, the Commission approved the interim relief of $58.8M which included these adjustments.

[4] On June 29, 2012, the Commission issued the final D&O for the Hawaiian Electric 2011 TY rate case. The final D&O reduced the revised interim increase by $0.7M to reflect the removal of certain costs. Final rates became effective as of September 1, 2012.



# Maui Electric Rate Case: 2012 Test Year

(Hawaii PUC Docket number: 2011-0092)

| | Application (7/22/11) | Interim D&O (6/1/12) | Final D&O ( 8/1/13) |
|---|---|---|---|
| Base Request | $27.5M[1] (6.7% increase) | $13.1M[3] (3.2% increase) | $5.3M[4] (1.3% increase) |
| Depr. & amort. expenses | $19.8M Without Mechanism | $19.7M With Mechanism | $19.7M With Mechanism |
| Return on average common equity | 11.00% | 10.00% | 9.00% |
| Common equity capitalization (%) | 56.85% | 56.86% | 56.86% |
| Return on average rate base | 8.72% | 7.91% | 7.34% |
| Average rate base amount[2] | $393M | $393M | $393M |
| GWh sales | 1,201.8 | 1,201.8 | 1,201.8 |

**Existing Balancing Accounts, Trackers and/or Surcharges**
Decoupling Revenue Balancing Account/Revenue Adjustment Mechanism; ECAC: Fuel & Purchased Energy; Pension & OPEB Trackers; DSM Surcharge; Renewable Energy Infrastructure Surcharge and Purchase Power Adjustment Clause.

[1] Increases consist of:
- Return on rate base $ 3.0 M
- O&M $19.5 M
- Other, net $ 5.0 M

[2] Current effective rates are based on Maui Electric's 2010 test year adjusted interim rate case D&O. Average rate base in that D&O was $387M.

[3] Based on updated settlement which included the implementation of final rates in the 2010 test year rate case. On May 21, 2012, the Commission issued an interim D&O which became effective on June 1, 2012.

[4] On May 31, 2013, the Commission issued the final D&O for the Maui Electric 2012 TY rate case. On June 17, 2013, Maui Electric filed the revised results of operations, supporting schedules and tariff sheets and refund plan, which the Commission approved. Final rates became effective as of August 1, 2013. Maui Electric refunded $9.7 million (which includes interest and related revenue taxes since June 1, 2012) to customers from September to October 2013. On July 2, 2013, the Commission denied Maui Electric's motion for partial reconsideration of the 9.00% ROE in the final D&O but allowed the deferral of IRP costs incurred from June 1, 2012 until the Commission determines the level and method of recovery in the IRP docket.



# Utility Developments

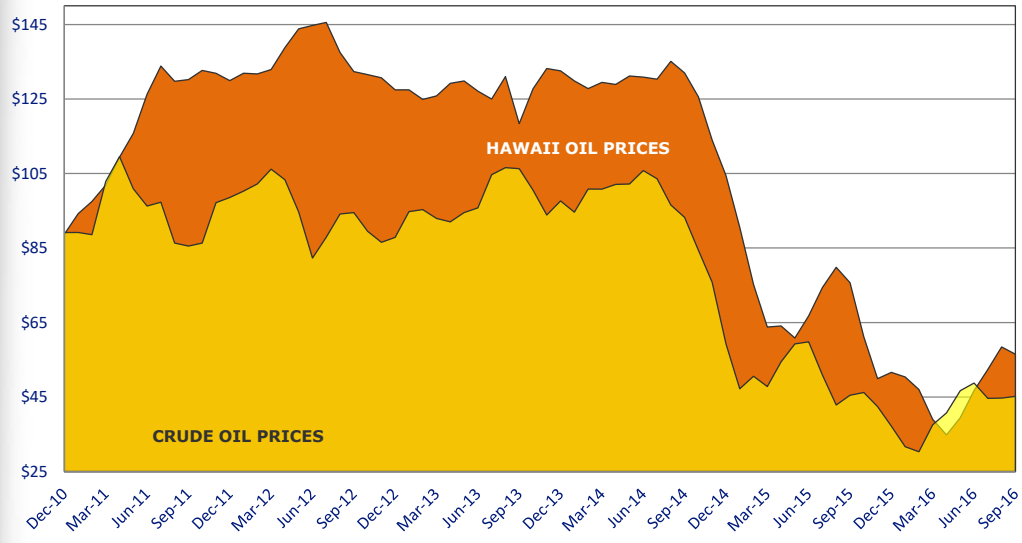
| | |
|---|---|
| **Hawaii Electric Light 2016 Rate Case** (Docket No. 2015-0170)<br>**Hawaiian Electric Company 2017 Rate Case** (Docket No. 2016-0328) | ➢ Hawaii Electric Light 2016 test year rate case application filed on Sept 19, 2016<br>  ➢ Requested $19.3 million (6.5% increase)<br>  ➢ Interim decision estimated in Q3 2017<br>➢ Hawaiian Electric Company 2017 test year notice of intent filed on Sept 16, 2016 |
| **Renewable Energy Developments** | ➢ PUC application filed for 20 MW solar facility on Joint Base Pearl Harbor-Hickam<br>  ➢ Proposed: In-service date 2018<br>➢ 27.6 MW Waianae Solar farm; PPA with Eurus; estimated in service by December 2016 |
| **Storage Developments** | ➢ First Oahu utility-scale 1 MW battery pilot<br>➢ Amber Kinetics flywheel pilot project<br>➢ STEM 3-year distributed intelligent energy storage pilot |
| **Distributed Energy Resources** | ➢ PUC approved interim 2-year voluntary time of use rates on Sept 16, 2016<br>  ➢ Encourage daylight hour usage<br>  ➢ Capped at 5,000 residential customers |

HEI



# Hawaii's Oil Situation

## Low Sulfur Fuel Oil vs. Crude Oil
## December 2010 to September 2016




**Hawaii oil prices based on Hawaiian Electric low sulfur fuel oil inventory prices**
**Crude oil prices based on West Texas Intermediate (WTI)**



# Hawaii Economic Trends

**Tourism**

| Year-over-year percent change | Sep 2016 | YTD Sep 2016 |
|---|---|---|
| Arrivals | +3.0% | +2.6% |
| Expenditures | +10.4% | +3.7% |

**Unemployment**

- Oct 2016 – Hawaii: 3.2%; U.S.: 4.9%

**Real Estate**

- YTD Oct 2016 Oahu single family home sales up 4.9%
- Oahu median single family home price for Oct 2016 up 3.1% from Oct 2015 to $742,000

**Construction**

- Maturing of the construction cycle will remove what has been a major impetus for growth (UHERO)

**State GDP**

- Expected to increase 2.0% in 2016

Sources: Department of Business, Economic Development and Tourism, U.S. Bureau of Labor Statistics and the state of Hawaii Department of Labor and Industrial Relations. 2016 estimate from the University of Hawaii Economic Research Organization (UHERO) September 30, 2016 report.



# Outlook for Continued Improvement in Hawaii's Economy

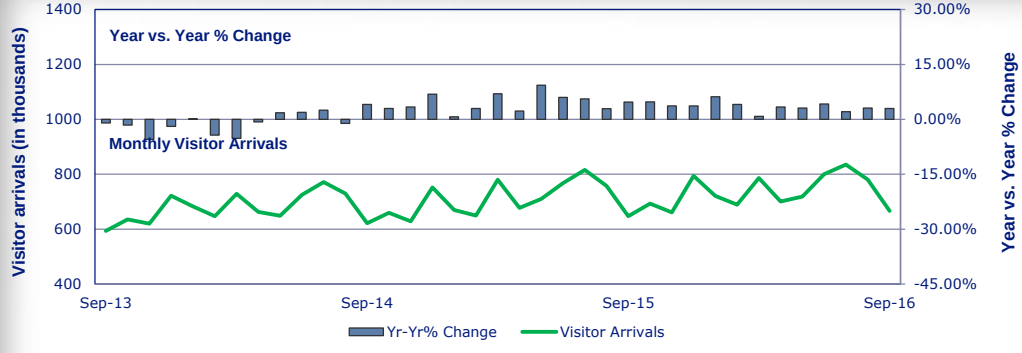
| Year-over-year percent change unless noted | 2015 | 2016 | 2017 |
|---|---|---|---|
| Real state GDP | 3.3 | 2.0 | 2.4 |
| Real personal income | 3.6 | 2.2 | 1.7 |
| Unemployment (%) | 3.6 | 3.1 | 3.0 |
| Non-farm payroll jobs | 1.7 | 1.4 | 0.8 |
| Visitor arrivals | 4.5 | 2.3 | 1.5 |

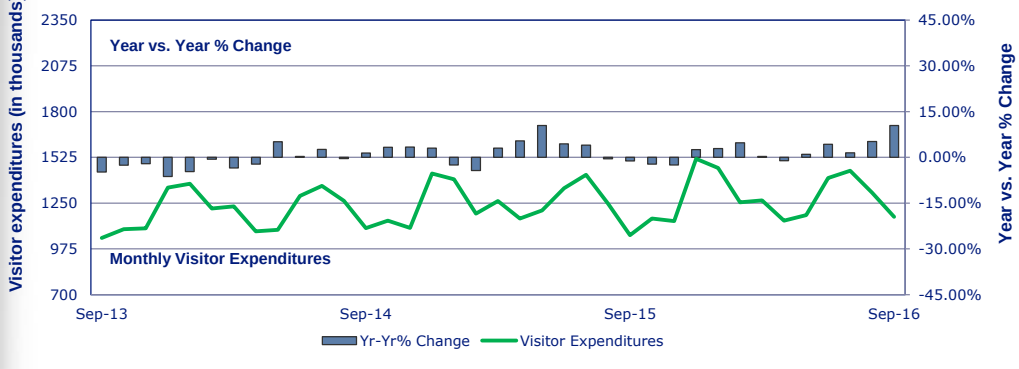
Source: University of Hawaii Economic Research Organization (UHERO) September 30, 2016 report. Non-farm payrolls are UHERO estimates. Figures for 2016 and 2017 are forecasts.

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# YTD Hawaii Visitor Arrivals up 2.6% and Visitor Expenditures up 3.7%

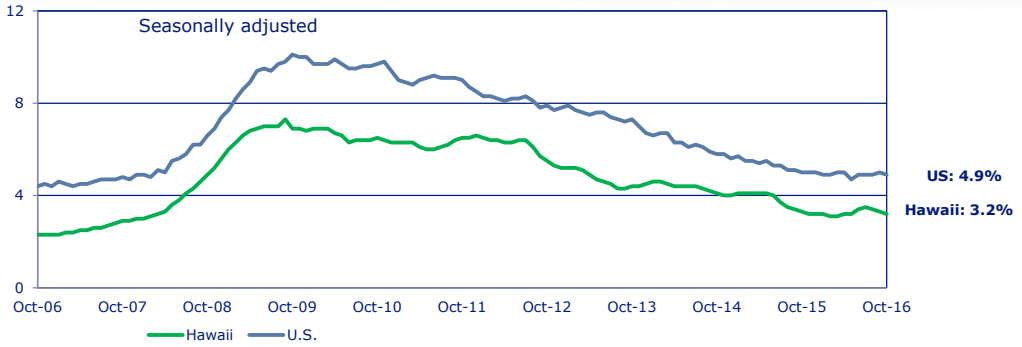


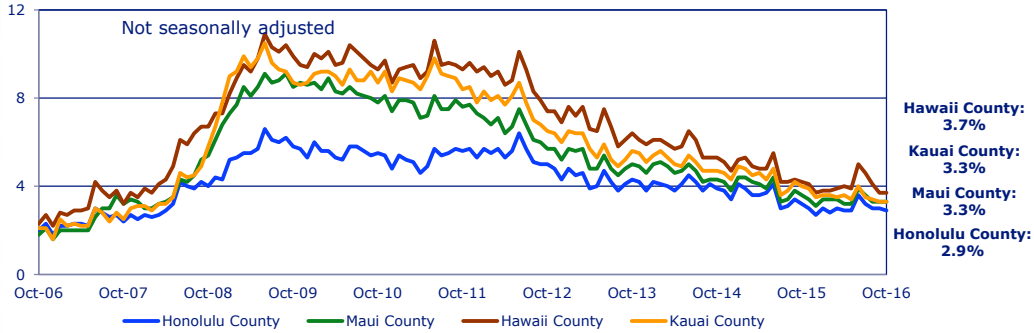




Source: State of Hawaii Department of Business, Economic Development and Tourism



# Hawaii Unemployment Rate Remains Low at 3.2%



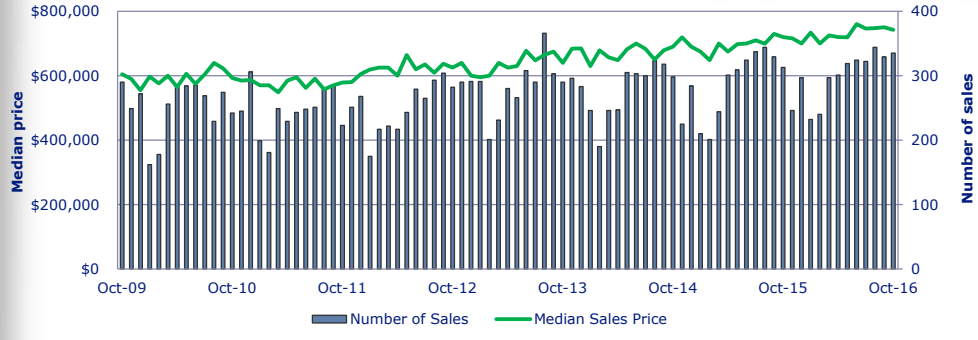




Source: U.S. Bureau of Labor Statistics and the state of Hawaii Department of Labor and Industrial Relations

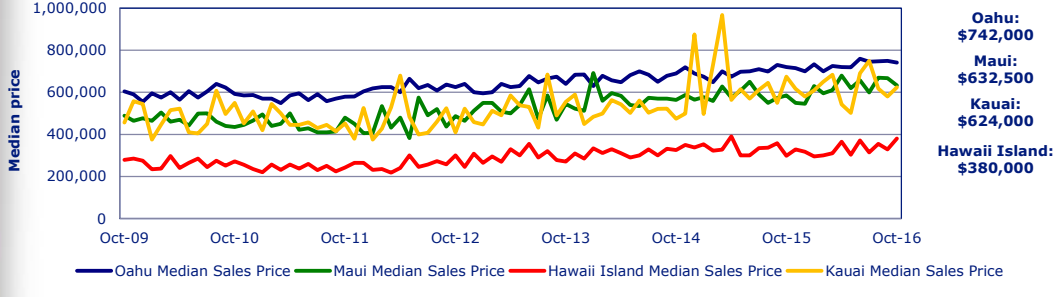


# Hawaii Real Estate

**Oahu Number of Sales and Median Sales Price**
**Oct 2009 – Oct 2016**




**Median Sales Price Oahu, Maui, Hawaii, Kauai**
**Oct 2009 – Oct 2016**




**Oahu: $742,000**
**Maui: $632,500**
**Kauai: $624,000**
**Hawaii Island: $380,000**

Source: Title Guaranty (2009-current)



# Public Utilities Commission of the State of Hawaii

The Governor, with the consent of the Senate, appoints three full-time commissioners to staggered six-year terms. Commissioners can serve no more than 12 consecutive years.

**Randall Y. Iwase, Chair (Appointed by Governor David Y. Ige)**

- Appointed Chair in January 2015 for a term to expire on June 30, 2020
- Prior to appointment, served as the Chair of the Hawaii State Tax Review and Chair of the Hawaii Labor and Industrial Relations Appeals Board
- Also served as the Supervising Deputy Attorney General where his division provided legal counsel to the Department of Commerce and Consumer Affairs and the Public Utilities Commission
- Former state senator and former Honolulu city council member
- University of San Francisco School of Law (JD)
- University of Florida, Gainesville, where he graduated with honors (BA)

**Lorraine H. Akiba (Appointed by Governor Neil Abercrombie)**

- Began serving as Commissioner on July 1, 2012 for a term to expire on June 30, 2018
- Former partner at McCorriston Miller Mukai MacKinnon LLP and head of the firm's Environmental Practice Group
- Served as State of Hawaii Director of Labor and Industrial Relations from 1995 to 2000, under Governor Cayetano
- Former chairperson of the Democratic Party of Hawaii from 2001 to 2003
- Has experience working with independent power producers and developers through her private practice
- Member of the EPRI Advisory Council
- Hastings College of Law (JD)
- University of California, Berkeley (BA in Political Science)

**Thomas C. Gorak (Appointed by Governor David Y. Ige)**

- Appointed as commissioner on interim basis beginning on July 1, 2016, subject to Senate confirmation
- Prior to appointment, served as the Commission's chief counsel
- Previously worked as a staff attorney with the Maryland People's Counsel, and as a private attorney in Washington, D.C. and Hawaii, representing clients in public utility matters
- University of Maryland School of Law (JD)
- University of Maryland (BS in Finance and General Business)

HEI



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