## 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, 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 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 written or oral and whether as a result of new information, future events or otherwise.

# Hawaiian Electric Industries, Inc.

# Second Quarter 2017 Financial Results and Outlook

August 3, 2017



# YTD 2017 Highlights

- Second quarter financial results in line with full year expectations

Hawaiian Electric

- Rate case filings progress
- Hawaii Public Utilities Commission accepts the Power Supply Improvement Plan update
- Submitted draft grid modernization strategy to the PUC

AMERICAN Savings Bank

- Strong financial performance
- Higher net interest income
- Robust deposit growth
- Improving efficiency and credit quality

# Recent utility developments (page 1 of 2)

**Hawaii Electric Light 2016 Rate Case**
(Docket No. 2015-0170)

- July 11, 2017: Consumer Advocate (CA) and Hawaii Electric Light agreed on all issues, except for whether the negotiated 9.75% allowed ROE should be reduced by up to 25 bps
  July 21, 2017: CA and Hawaii Electric Light Statements of Probable Entitlement submitted
- August 21, 2017: Interim Decision and Order expected

**Hawaiian Electric 2017 Rate Case**
(Docket No. 2016-0328)

- July 28, 2017: PUC issued procedural schedule
- December 15, 2017: Tentatively scheduled Interim Decision and Order

**Maui Electric 2018 Rate Case**
(Docket No. 2017-0150)

- June 9, 2017: Filed notice of intent to apply for rate increase by December 30, 2017

**Major Projects Interim Recovery (MPIR) Adjustment Mechanism**

- PUC approved a new recovery mechanism
  - MPIR provides recovery via revenue balancing account for major capital projects including but not restricted to projects to advance transformational efforts
  - Will request PUC approval for recovery via MPIR of the solar project at West Loch Annex at Joint Base Pearl Harbor-Hickam

# Recent utility developments (page 2 of 2)

**Power Supply Improvement Plan (PSIP) Update**
(Docket No. 2014-0183)
(See Appendix, slide 35)

- July 2017: PUC accepted the PSIP
  - Provides a framework to meet Hawaii's 100% renewable energy goal
  - Allows us to move ahead with greater certainty on our near-term initiatives
  - Does not provide blanket approval for major projects
  - Reiterated support of near-term plans to incorporate Distributed Energy Resources, Community-Based Renewable Energy, Demand Response and Energy Efficiency programs

**Recent PUC Orders**

- June 2017: PUC approved the West Loch 20 MW solar energy facility that will provide Oahu the lowest-cost solar plant at 9.56 cents per kwh or lower; expected in service Dec 2018
- July 2017: PUC approved 3 NRG Energy PPAs totaling nearly 110 MW at a weighted average price of 10.8 cents/kwh, including tax credits, and would get Oahu 3% closer to our 100% renewable energy goal
- July 2017: PUC approved the Hu Honua and Hawaii Electric Light revised contract for the utility to purchase electricity from the 21.5 MW biomass facility at 22.1 cents/kwh
- May 2017: PUC denied the Hawaii Electric Light purchase of the 60 MW Hamakua Energy Partners plant

**Draft Grid Modernization Strategy**
(Docket No. 2016-0087)

- June 2017: Grid modernization draft plan filed with PUC to bring online more renewable resources, improve reliability and give customers more choices. Includes $205 million in upgrades over the next six years

**Public Utilities Commission**

- Governor Ige nominated Jay Griffin as the interim commissioner, subject to Senate confirmation
- Confirmation may be decided during Legislature's special session (announced to be held August 28, 2017 to September 1, 2017)

# Hawaii's economy continues to grow

**Tourism**

| Year-over-year change | June 2017 | YTD June 2017 |
|---|---|---|
| Arrivals | +4.5% | +4.3% |
| Expenditures | +3.7% | +8.7% |

**Unemployment**

- June 2017 – Hawaii: 2.7%; U.S.: 4.4%

**Real Estate**

- YTD June 2017 Oahu single family home sales up 4.4%
- Oahu median single family home price for June 2017 up 4.6% from June 2016 to $795,000

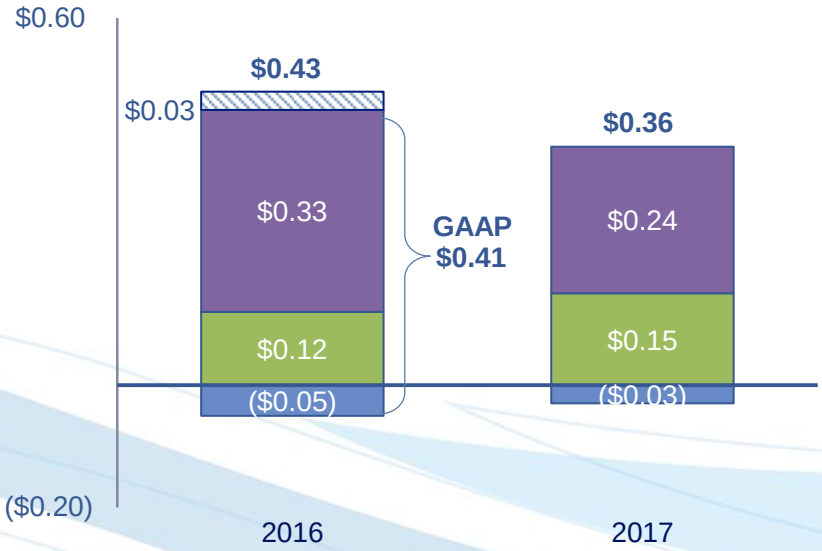
**Real State GDP**

- Expected to increase 1.4% in 2017 (UHERO)

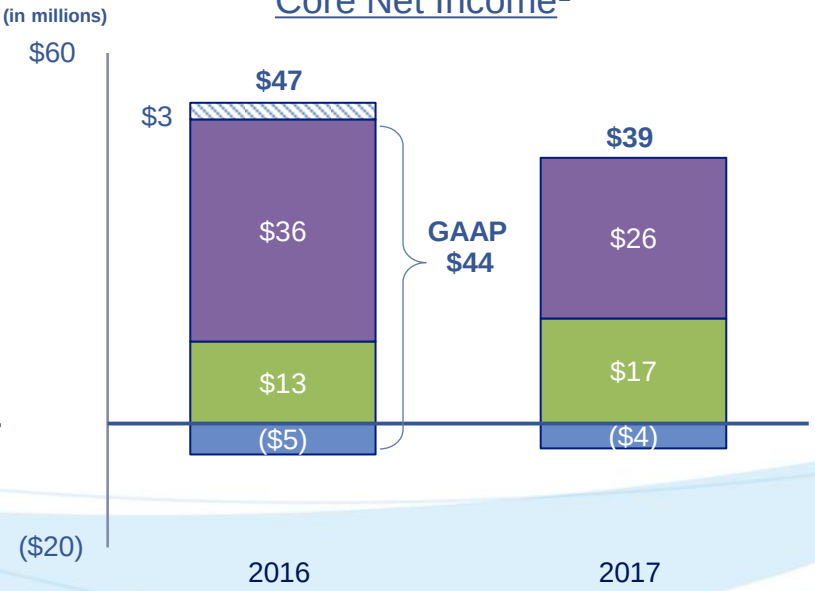
Sources: Department of Business, Economic Development and Tourism, U.S. Bureau of Labor Statistics and the state of Hawaii Department of Labor and Industrial Relations. 2017 estimate from the University of Hawaii Economic Research Organization (UHERO) May 5, 2017 report.

# Consolidated 2Q Earnings

## Core EPS[1] (Diluted)




## Core Net Income[1]



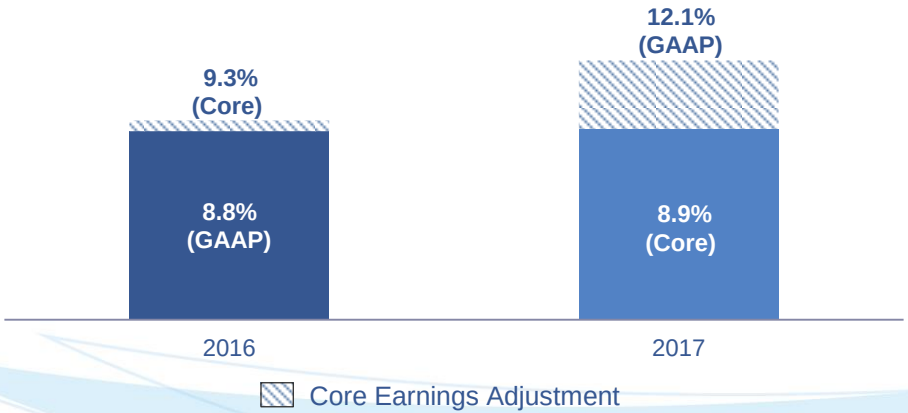

Utility | Bank | Holding Co. & Other | Core Earnings Adjustment

Note: Columns may not foot due to rounding

[1] 2016 core earnings exclude merger and spin-off items. See the reconciliation of GAAP to Non-GAAP (Core) measures in this presentation.

# HEI ROE

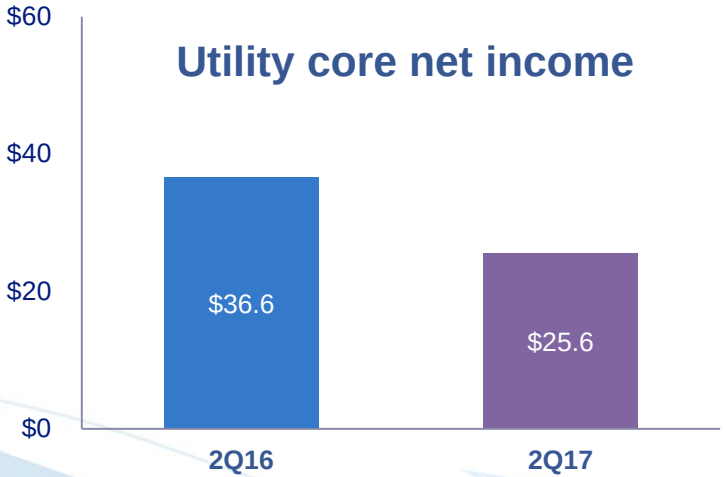
## Consolidated HEI ROE
## Twelve Months Ended June 30,




| GAAP | 2016 | 2017 |
|---|---|---|
| Utility | 8.0% | 7.2% |
| Bank | 9.7% | 10.9% |

See the reconciliation of GAAP to Non-GAAP (Core) measures in this presentation.
Note: All ROEs calculated using net income divided by average GAAP common equity, simple average method

# 2Q17 utility financial highlights (in millions)




| Key utility core earnings drivers, after-tax fav/(unfav) | 2Q17 vs 2Q16 |
|---|---|
| Expiration of 2013 Oahu settlement agreement | (5)[(a)] |
| Higher RAM revenues | 1 |
| Other | (1) |
| Net revenues* | (5) |
| Operation & maintenance, excluding net income neutral and merger-related items (including LNG costs) | (5) |
| Depreciation | (1) |

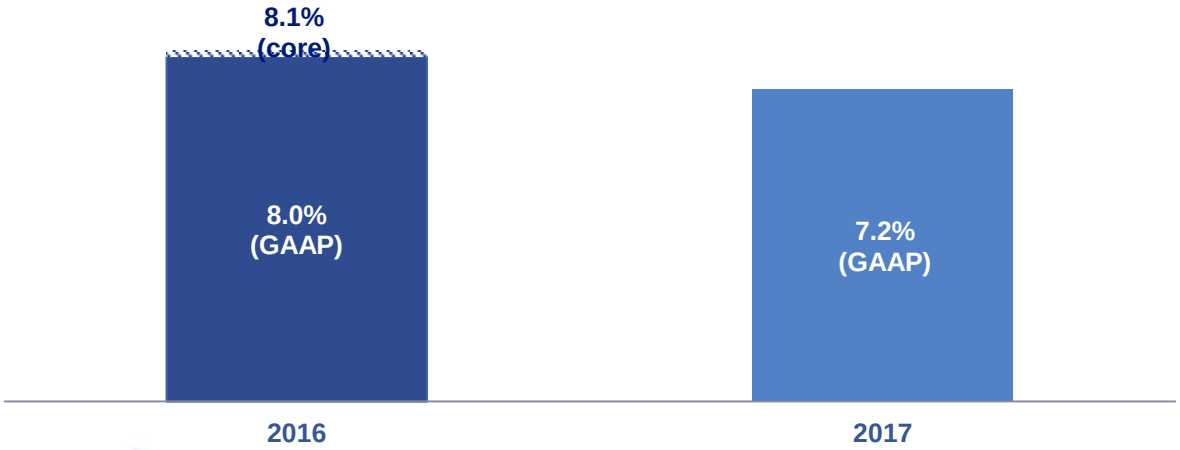
*Net revenues is "Revenues" less the following expenses: "fuel oil," "purchased power," and "taxes, other than income taxes"

(a) See Appendix for more information on the impact of the expiration of the 2013 settlement agreement with the Consumer Advocate, approved by the PUC. For Oahu, the 2017 RAM revenues revert to being recorded from a calendar year basis to a period from June 1 of each year through May 31 of the subsequent year concurrent with cash collections.

See the reconciliation of GAAP to Non-GAAP (Core) measures in this presentation
Note: Columns may not foot due to rounding

# Utility ROE

## Consolidated Utility ROE
## Twelve Months Ended June 30,

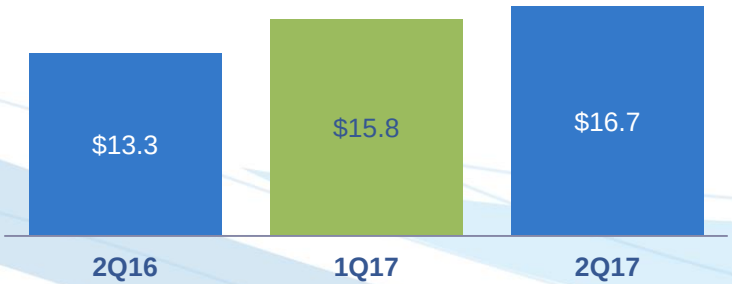



| GAAP | Consolidated Utility | Hawaiian Electric | Hawaii Electric Light | Maui Electric |
|---|---|---|---|---|
| 2016 | 8.0% | 8.0% | 7.5% | 8.7% |
| 2017 | 7.2% | 7.3% | 6.9% | 7.5% |
| Allowed[1] | 9.8% | 10.0% | 10.0% | 9.0% |

Note: Last base revenue increase: Hawaiian Electric: 2011 test year; Hawaii Electric Light: 2010 test year; Maui Electric: 2012 test year
Note: All ROEs calculated using net income divided by average GAAP common equity, simple average method
[1] Based on Public Utilities Commission decisions in effect on June 30, 2017

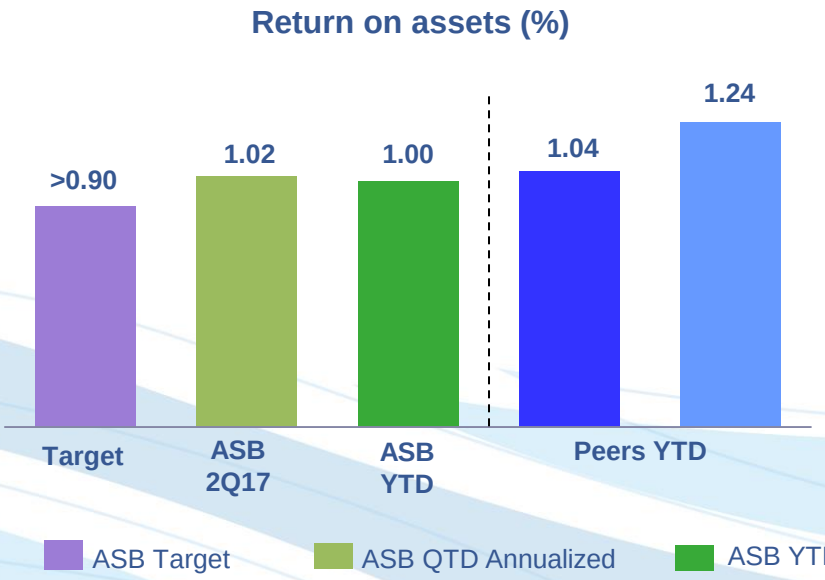
# 2Q17 bank financial highlights (in millions)

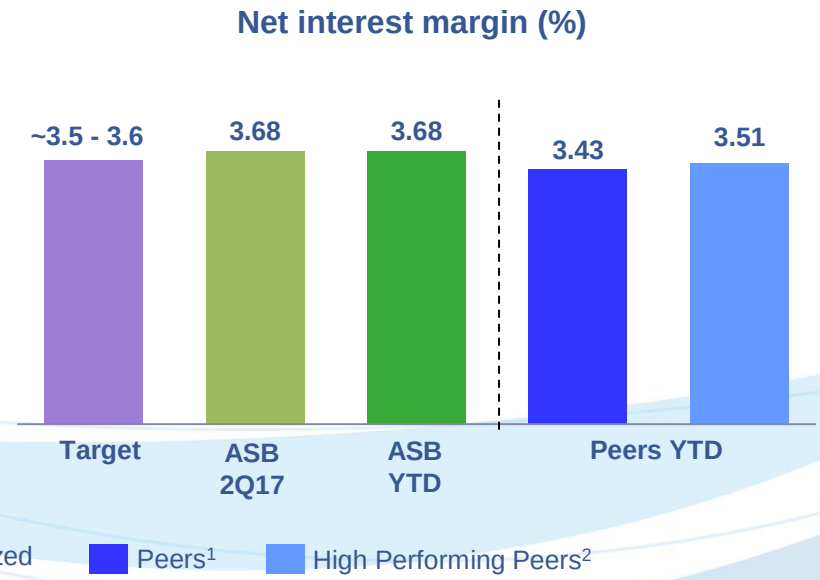
## Bank net income




| Key bank earnings drivers, after-tax fav/(unfav) | 2Q17 vs 1Q17 | 2Q17 vs 2Q16 |
|---|---|---|
| Net interest income | 1 | 3 |
| Provision for loan losses | 1 | 1 |
| Noninterest income | 1 | -- |
| Noninterest expense | (2) | (1) |

# Bank 2Q17 performance



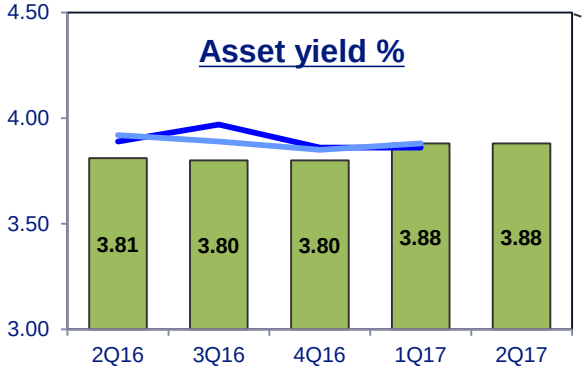

ASB Target | ASB QTD Annualized | ASB YTD Annualized | Peers[1] | High Performing Peers[2]

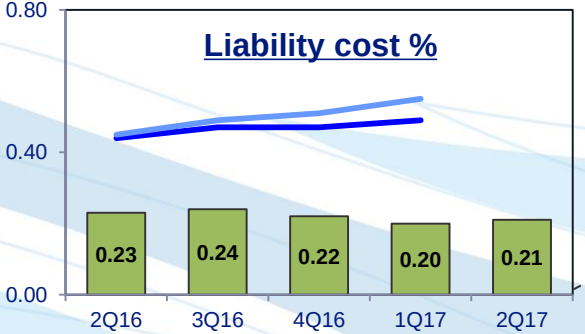
Source for peer data: SNL Financial (based upon data available as of August 1, 2017)
Note: Quarterly and YTD information are annualized

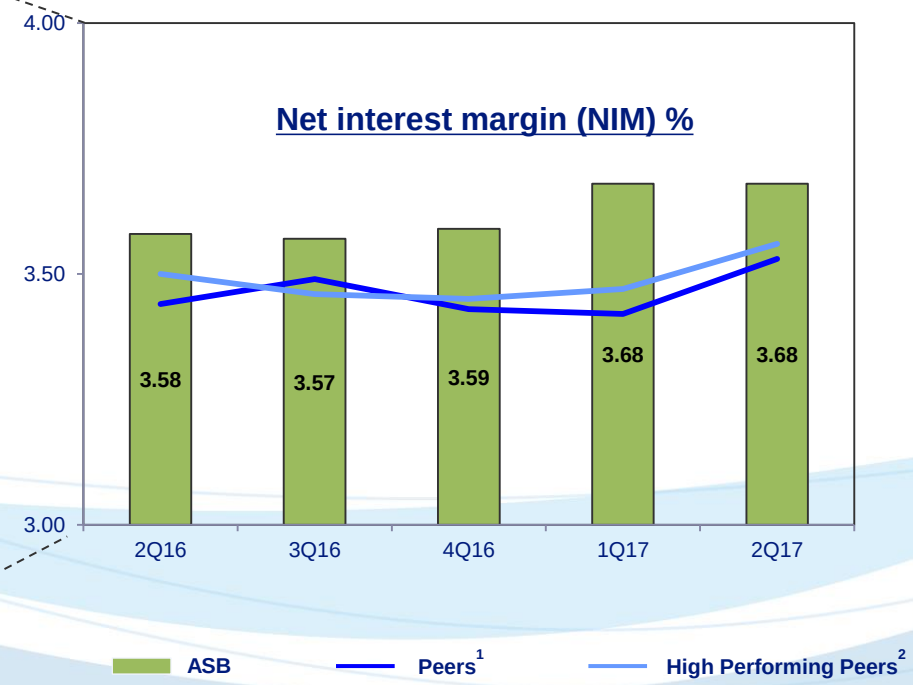
[1] Median for peer group based on publicly traded banks and thrifts between $3.5B and $8B in total assets and not subject to the Durbin Amendment caps limiting interchange fees. See ASB Peer Group – 2017.

[2] Median for peer group of 18 high performing banks and not subject to the Durbin Amendment caps limiting interchange fees. See ASB Peer Group - 2017.

# Net interest margin



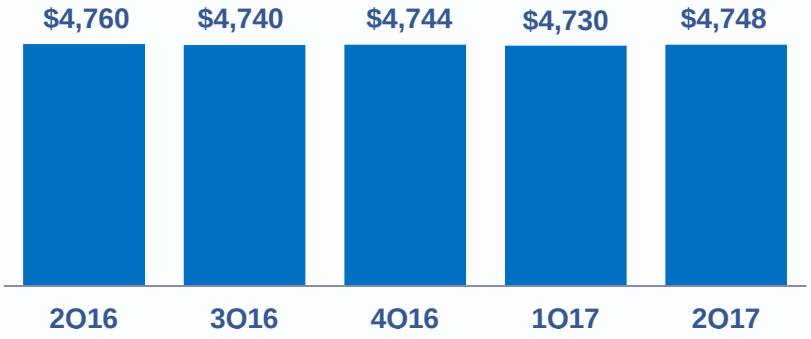



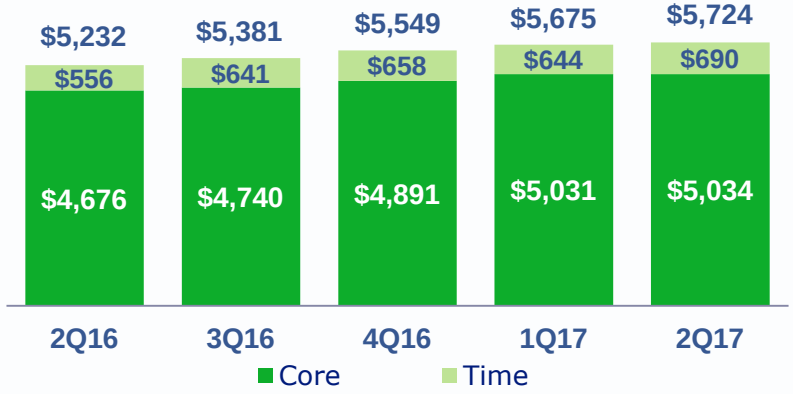

Source for peer data: SNL Financial (based upon data available as of August 1, 2017)
Asset Yield: Total interest income as a percentage of average interest-earning assets
Liability Cost: Total interest expense as a percentage of average interest-bearing and non-interest bearing liabilities
Net Interest 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.

# Revenue growth driven primarily by net interest income ($ in millions)

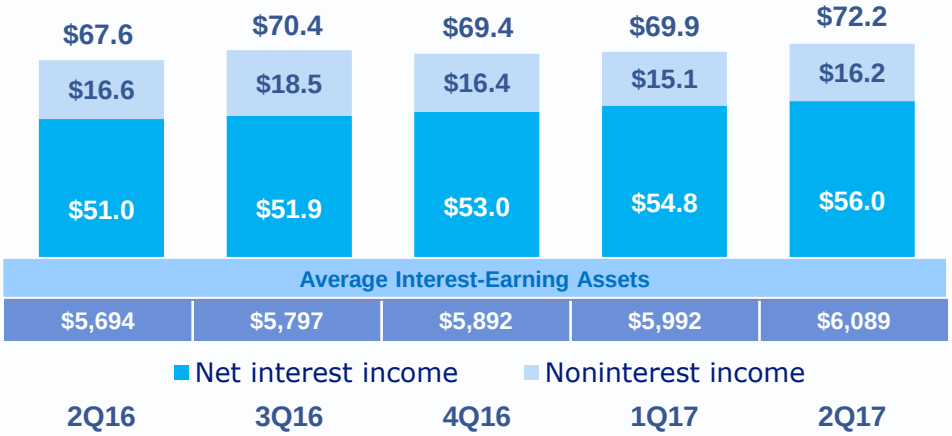
## Total loans



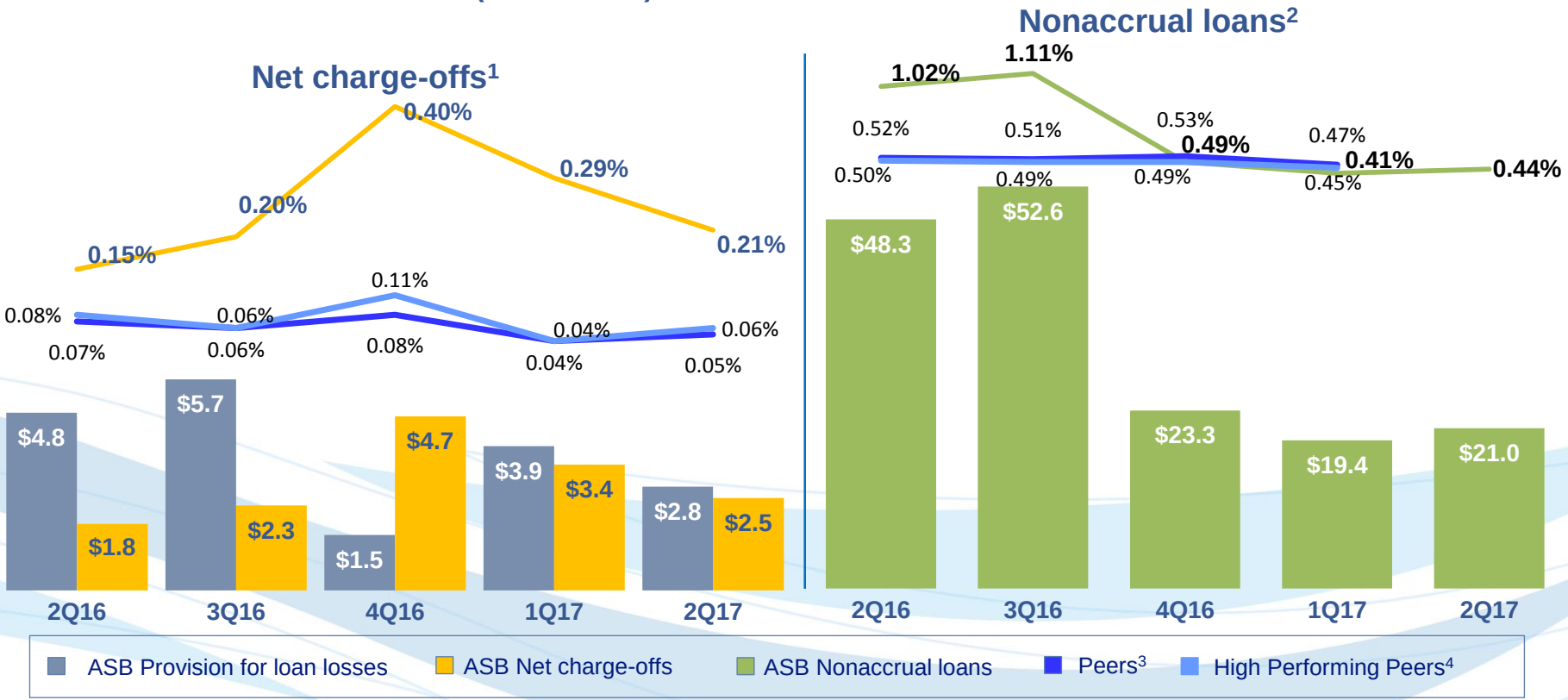

## Total deposits




## Net interest income and noninterest income



# Credit quality improving: significant reductions in nonaccrual loans ($ in millions)




Source for peer data: SNL Financial (based upon data available as of August 1, 2017)

[1] Quarterly net charge-off ratio reflected as a percentage of average loans held during the period

[2] Quarterly nonaccrual loans ratio reflected as a percentage of total loans

[3] Median for peer group based on publicly traded banks and thrifts between $3.5B and $8B in total assets. See ASB Peer Group - 2017.

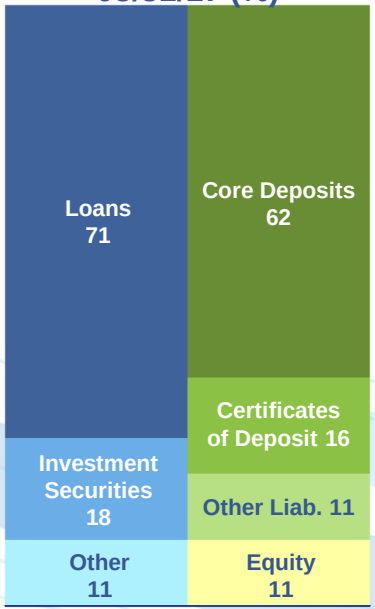
[4] Median for peer group of 16 high performing banks. See ASB Peer Group - 2017.

# Quality balance sheet

- Overall loan-to-deposit ratio of 83%
- 100% of ASB loans funded with low-cost core deposits

**Peer Banks[1]**

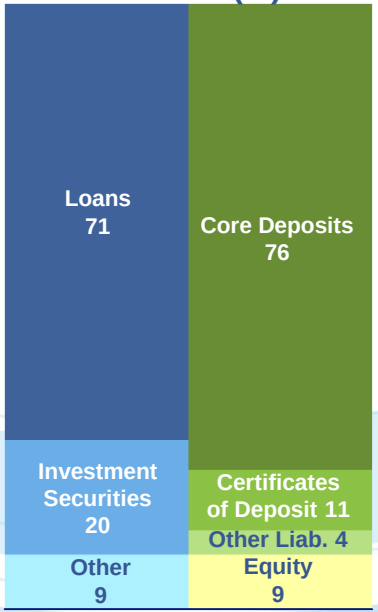
**03/31/17 (%)**




Peer median of avg yield
on earning assets 1Q17: 3.86%
Peer median of avg cost of funds 1Q17: 0.49%

**ASB**

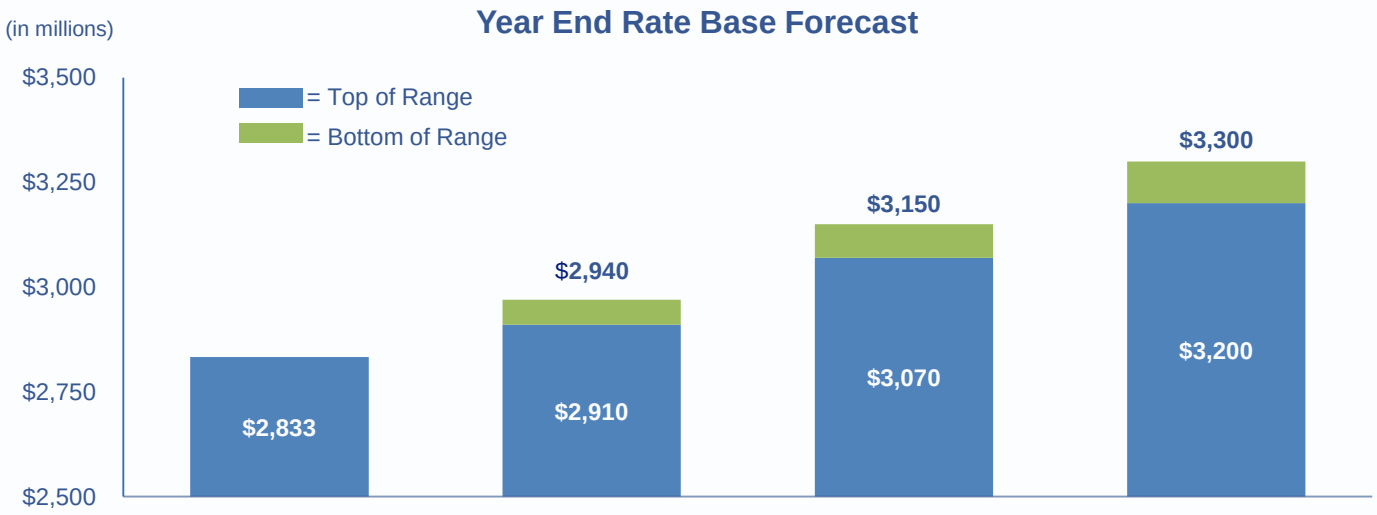
**06/30/17 (%)**




Avg yield on earning assets 2Q17: 3.88%
Avg cost of funds 2Q17: 0.21%

Source for peer data: SNL Financial (based on data available as of August 1, 2017)
[1] Peer group based on publicly traded banks and thrifts between $3.5B and $8B in total assets. See ASB Peer Group - 2017.

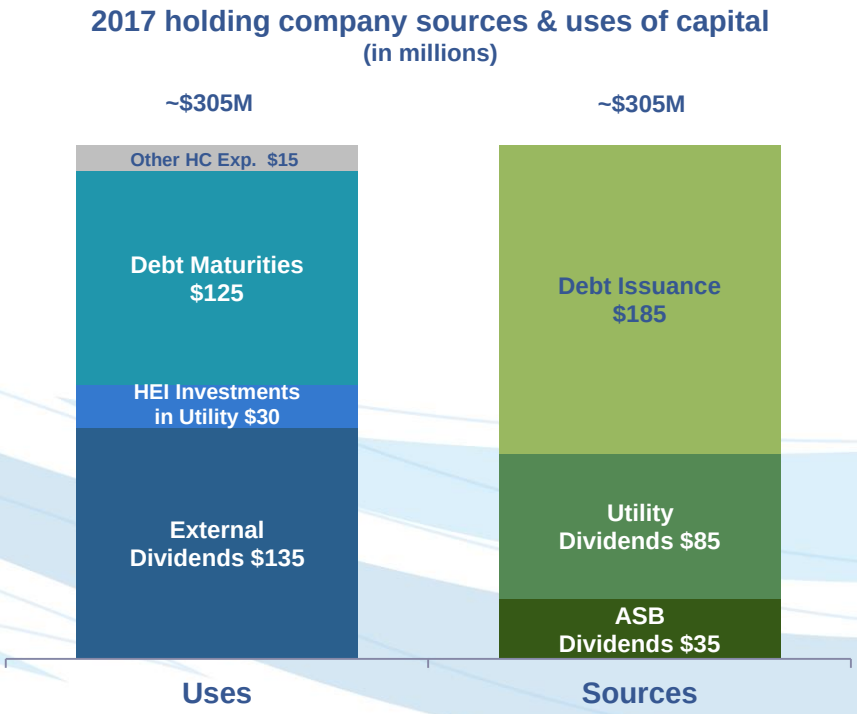
# Clean energy and reliability projects drive capital investments




| | | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Rate Base Growth | | 3% | 3-4% | 6-8% | 3-6% |
| RAM Plant Addition Cap | | | ~$275 | ~$275 | ~$275 |
| Capex (net of CIAC) | | $318 | $420 | $450 | $400 |
| | Selected Major Projects | | | | |
| [50 MW] | • Schofield (PUC Approved) [1] | | $96 | $14 | -- |
| | • ERP (PUC Approved) [1] | | 32 | 28 | -- |
| [20 MW] | • Joint Base Pearl Harbor PV (PUC Approved) [1] | | 4 | 58 | -- |

1 Schofield Generating Station (Schofield), Enterprise Resource Planning (ERP) system, and Joint Base Pearl Harbor PV forecasted to be placed into service in 2018

# HEI financing outlook 2017 (as of August 3, 2017)




- Expect to maintain strong capital structure above 50% consolidated common equity to total capitalization in 2017
- Forecasted HEI investments in Utility reduced for the termination of the Hamakua Energy Partners purchase

# HEI 2017 EPS guidance (as of August 3, 2017)

## HEI EPS: $1.55 - $1.70 per share

No new equity issuances through 2018

### Utility EPS: $1.17 - $1.27

Key Assumptions:

- Decoupling model: March 2015 Decision & Order
- 2013 Settlement Agreement expiration resets 2017 RAM revenue recognition to June 1 (~$0.13 EPS impact for 2017)
- O&M[1]: O&M forecasted at 2% above 2016 levels, excluding year-to-date one time items
- Fuel efficiency: similar to rate case levels, subject to changes due to demands on the system
- Rate base growth: 3% - 4% based upon 2017 capex of $420 million
- Equity capitalization: currently implemented rate case levels
- LT debt: ~$25 million of new issuances to support capex plan

### Bank EPS: $0.53 - $0.56

Key Assumptions:

- Net interest income: mid-single digit earning asset growth
- NIM: ~3.5% to 3.6%
- Provision expense: $15 million to $18 million range
- Net charge-offs: 18 bps to 23 bps
- ROA of > 0.90%

Note: Holding company & other net loss estimated at **$0.13 - $0.15**

1 Excludes operations and maintenance (O&M) expenses covered by surcharges or by third parties that are neutral to net income

Reference the cautionary note regarding forward-looking statements (FLS) accompanying this presentation which provides additional information on important factors that could cause results to differ. The company undertakes no obligation to publicly update or revise FLS, including EPS guidance, whether as a result of new information, future events, or otherwise. See also the FLS and risk factors in HEI's 2016 SEC Form 10-K and SEC Form 10-Q for the quarter ended June 30, 2017.

- **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**
  - Expanding our renewable energy portfolio to reach 100% RPS goal by 2045
  - Modernizing grid to increase resilience, reliability and promote sustainable communities
  - Focused on expanding customer options and increasing customer value
  - Promote electrification to encourage a broader clean energy vision for Hawaii
- **American Savings Bank**
  - Deepening customer relationships to drive balance sheet and income growth
  - Improving operating efficiency
- Attractive **dividend yield** of 3.75%[1]; dividends paid for 116 years

HEI
Catalyst for a better Hawai'i

[1] As of August 2, 2017

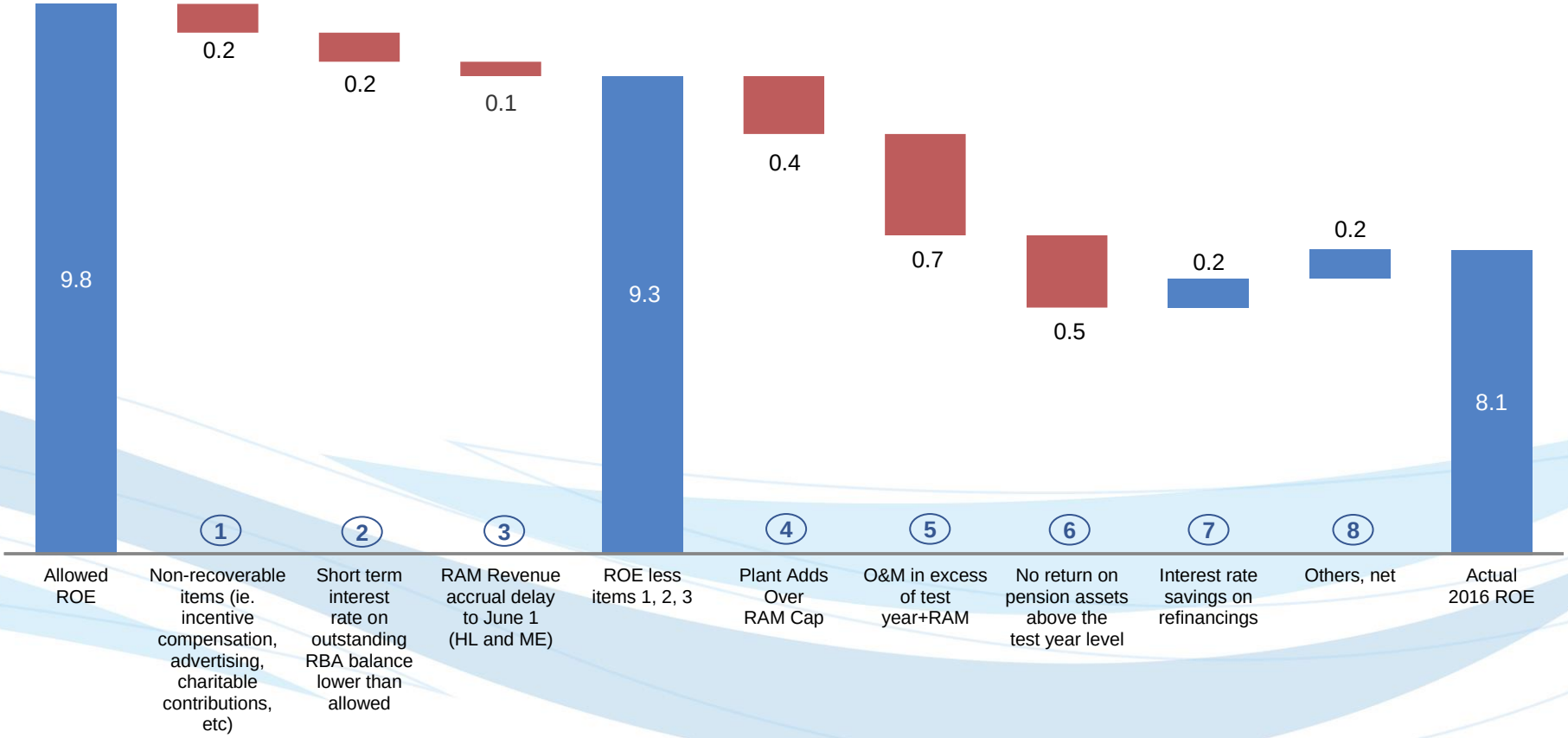
# Hawaiian Electric Industries, Inc.



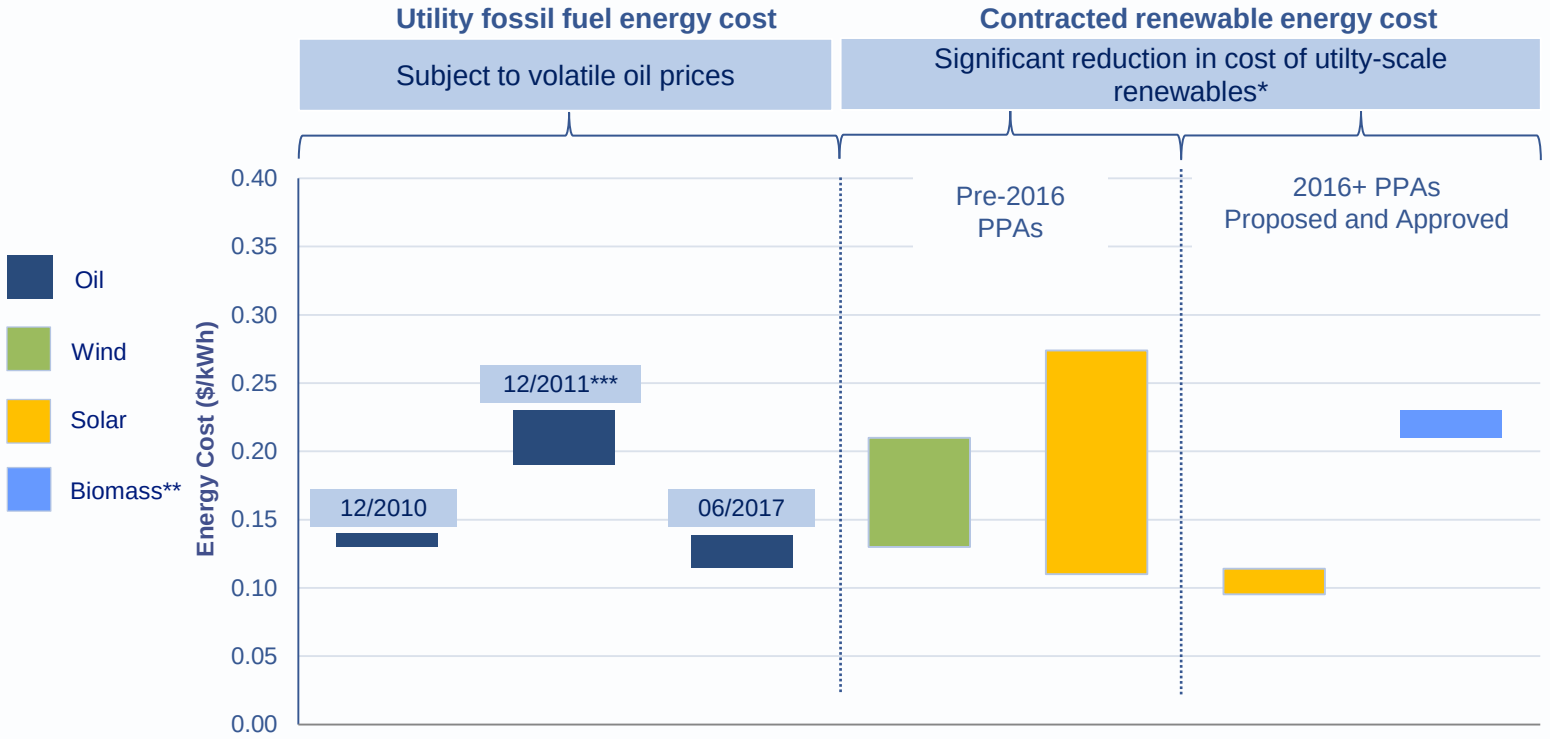
# Appendices

Catalyst for a better Hawai'i

# 2016 consolidated utility ROE lag



# Renewable energy can be cost competitive in Hawaii depending on oil price volatility

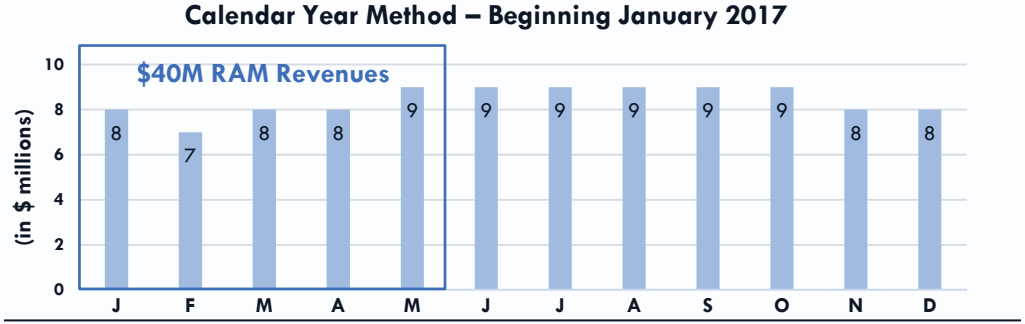


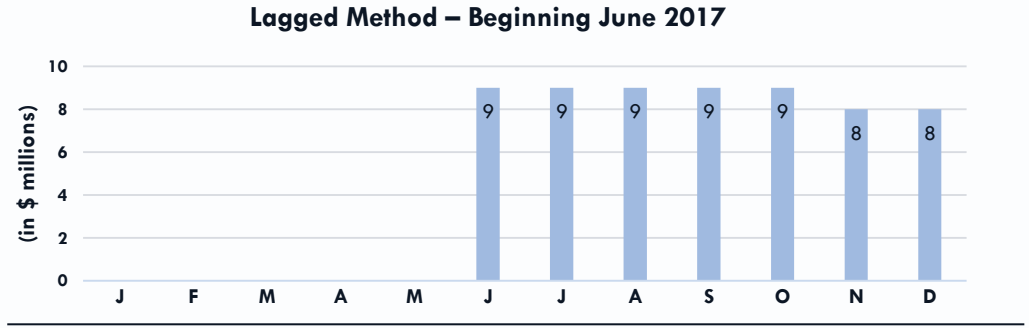

* In June 2017, the Hawai'i Public Utilities Commission (PUC) approved the 20 MW solar energy facility at Joint Base Pearl Harbor-Hickam, West Loch, the lowest cost renewable energy in the state at 9.56 cents per kWh or lower.
In July 2017, the PUC approved the purchase power agreements with NRG Energy for 3 solar plants: (i) 14.7 MW (11.4 cents/kWh), (ii) 45.9 MW (10.4 cents/ kWh); and (iii) 49 MW (which would be the state's largest) (10.99 cents/kWh); pricing includes the Hawaii State Tax Credit

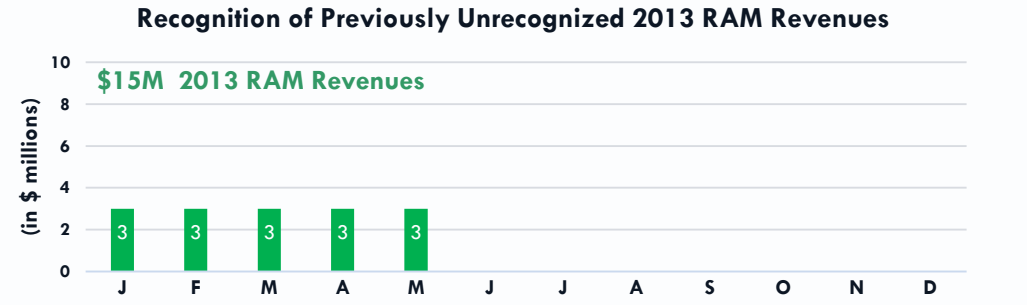
** Represents the revised contract with Hu Honua as approved by the PUC

*** The 2011 fuel oil increase was largely driven by the nuclear disaster of the Fukushima power plant in March 2011 which then increased the price of oil we paid in Hawaii as our fuel oil purchases are largely driven by the Asia Pacific market

# 2017 Impact of Loss of January 1 RAM Revenue Recognition Method



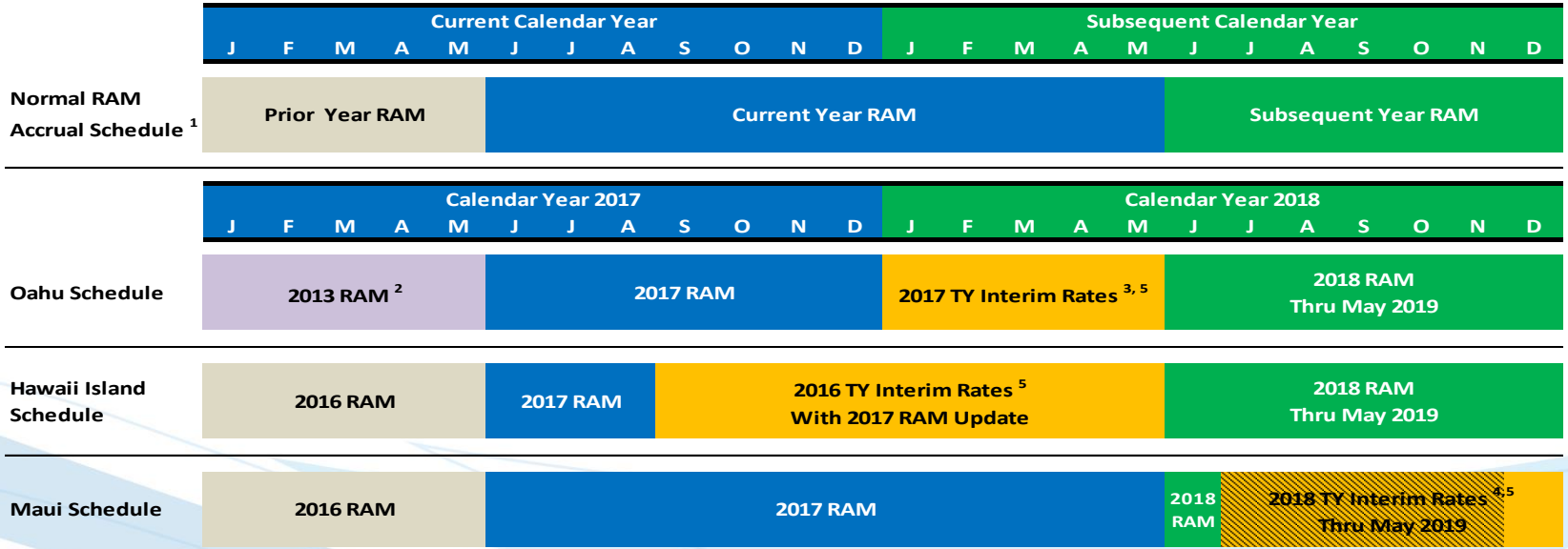




- ***Background***: *Per the Settlement Agreement with the Consumer Advocate approved by the Public Utilities Commission in 2013, Hawaiian Electric was allowed to record RAM revenues beginning January 1 ("calendar year method") for RAM years 2014 – 2016*
- *The Settlement Agreement expired on December 31, 2016, and the Company has reverted back to the lagged method whereby RAM revenues are recorded beginning June 1 of each year through May 31 of the subsequent year in line with when they are collected on a cash basis from customers.*
- ***No change to cash collections***
- *As part of transitioning back to the lagged method, the Company will recognize five months of the 2013 RAM revenues that were previously collected, but not recognized. Recognition will occur over the January through May 2017 period.*
- *2017 RAM revenues in the months following the issuance of a Hawaiian Electric rate case interim decision are subject to change.*

**2017 Net Income Impact of RAM Revenues**

| Jan – May | Revenue | After Tax |
|---|---|---|
| 2017 Calendar Year Method | ($40M) | |
| Previously Unrecognized RAM Revenues | 15M | |
| 2017 Impact | ($25M) | ($14M) |

# RAM Accrual Schedules

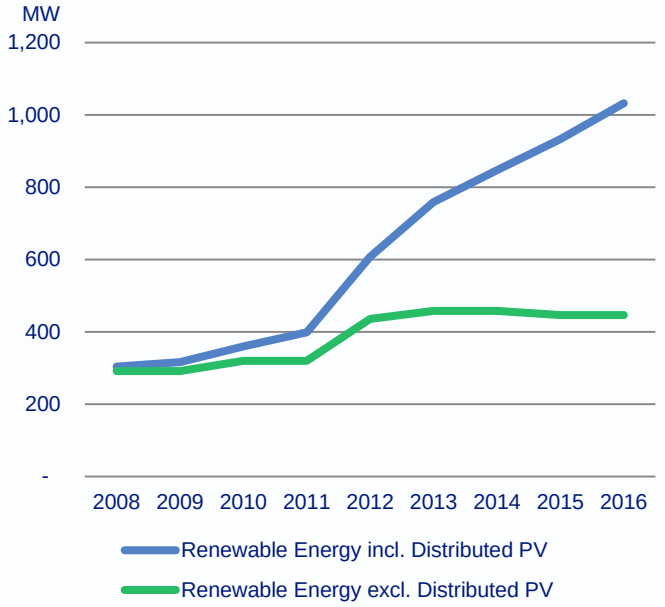



1 Approved by the PUC in March 2011
2 2013 partial RAM revenues recognized in 2017 for the 2013 settlement expiration adjustment
3 Per the PUC's Procedural Order, an interim decision and order is tentatively scheduled for December 15, 2017
4 Maui Electric's notice of intent to apply for a general rate increase on or after August 17, 2017, but before December 30, 2017, would result in an interim decision and order by July 2018 or by November 2018, respectively
5 No statutory deadline for final rates

Note: Timing of rate case interim rates are estimated based on filing dates and expected decision dates. Timing of Oahu 2017 test year interim rates and Maui 2018 test year interim rates are dependent upon deemed filing dates for each rate case.

# National leader in renewable energy integration and distributed generation

## Rapid growth of renewables and distributed generation




## Committed to achieving Hawaii's 100% renewable goal by 2045

| 2016 Renewable Portfolio Standard[1] | | | |
|---|---|---|---|
| Consolidated | Oahu | Maui County | Hawaii Island |
| 26% | 19% | 37% | 54% |

## 16% of customers had solar PV as of 2Q17

| Energized Systems | 2008 | 2014 | 2015 | 2016 | 2Q17 |
|---|---|---|---|---|---|
| Residential & Commercial PV Systems | 850 | ~50K | ~60K | ~70K | ~72K |
| Megawatts | 12 | 389 | 487 | 586 | 665 |

Renewable energy amounts reflect firm generated and contracted capacity
Distributed PV includes Net Energy Metering (NEM), Standard Interconnection Agreements (SIA), Feed-in-Tariff (FIT), Purchase Power Agreement (PPA), non-SIA, and utility owned
[1] Electrical energy generated using renewable resources as a percentage of total sales

# Utility regulatory mechanisms provide financial stability during renewable transition

| Mechanisms | What they do |
|---|---|
| Sales decoupling | Provides predictable revenue stream by fixing net revenues at level approved in last rate case (revenues not linked to kWh sales) |
| Revenue adjustment mechanism (RAM) | Annually adjusts revenue to recover general “inflation” of operations and maintenance expenses and plant additions between rate cases |
| Major Projects Interim Recovery adjustment mechanism (MPIR) | NEW: Permits recovery through the RBA of costs (net of benefits) for major capital projects including but not restricted to projects to advance transformational efforts |
| Energy cost and purchased power adjustment clauses | Allow recovery of fuel and purchased power costs |
| Pension and post-retirement welfare benefit trackers | Allow tracking of pension and post-retirement welfare benefit costs and contributions above or below the cost included in rates in a separate regulatory asset/liability account |
| Renewable energy infrastructure program | Permits recovery of renewable energy infrastructure projects through a surcharge |

# Components of decoupling

Hawaii PUC Docket No. 2008 - 0274
Hawaii PUC Docket No. 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 Hawaii Electric Light, 1.25% for Maui Electric) divided by 12

# Components of decoupling

Hawaii PUC Docket No. 2008 - 0274
Hawaii PUC Docket No. 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 (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 |

* Order No. 32735 issued by the PUC on March 31, 2015
** 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 renewable energy infrastructure surcharge.

# Components of decoupling

Hawaii PUC Docket No. 2008 - 0274
Hawaii PUC Docket No. 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 |

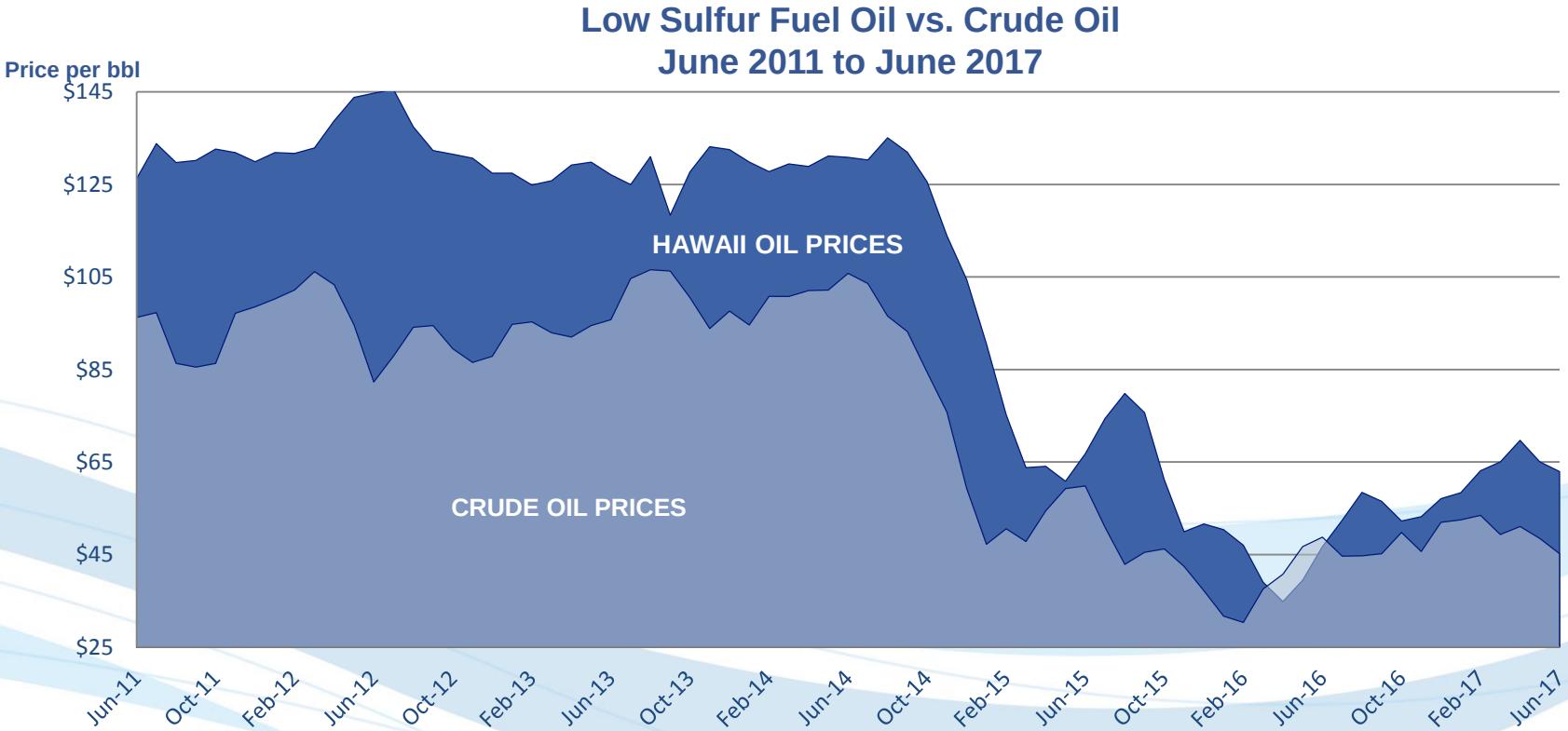
Examples of items not covered in 2a:
- Non-labor O&M increases > GDPPI
- Non-union labor expense increases
- Costs for large capital projects > PUC approved estimate
- Costs for base-level capital projects > 5-year historical average, until following year
- Investments other than plant (e.g., software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

# Components of decoupling

Hawaii PUC Docket No. 2008 - 0274
Hawaii PUC Docket No. For the decoupling review: 2013 - 0141

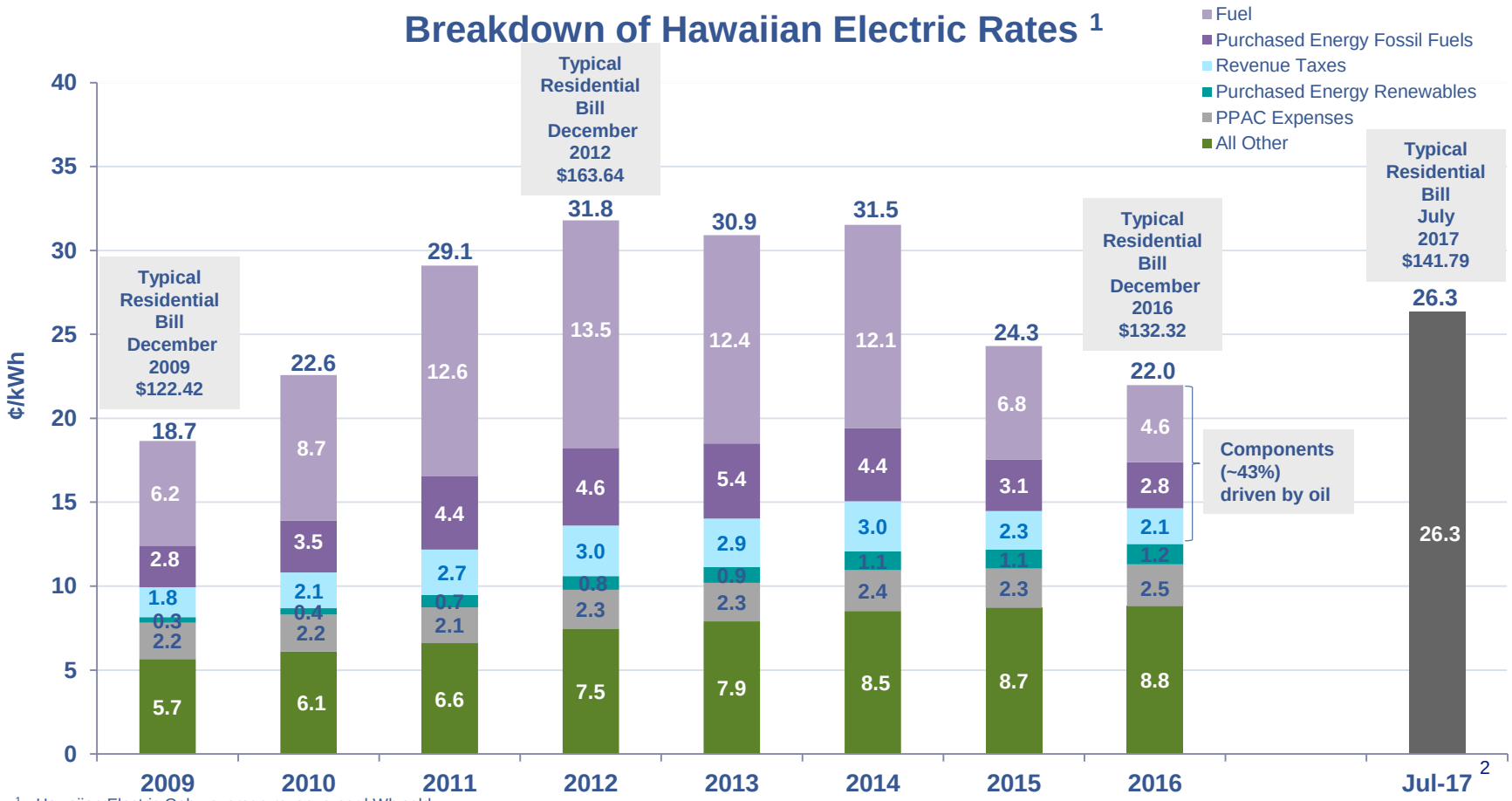
| Components | |
|---|---|
| **2b. RAM Revenue Adjustment Cap** (Order No. 32735) | **Cumulative RAM for 2016 RAM Revenue Adjustment –**<br>▪ Prior year RAM Cap Target Revenues times GDPPI (2.0% for 2017) + prior year RAM Cap Revenue Adjustment |
| **3. Earnings Sharing Credit** | **Sharing of earnings with customers for ratemaking ROE > 10% for Hawaiian Electric and Hawaii 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 |

# Hawaii's oil situation




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

# Oil is the primary driver of rates in Hawaii

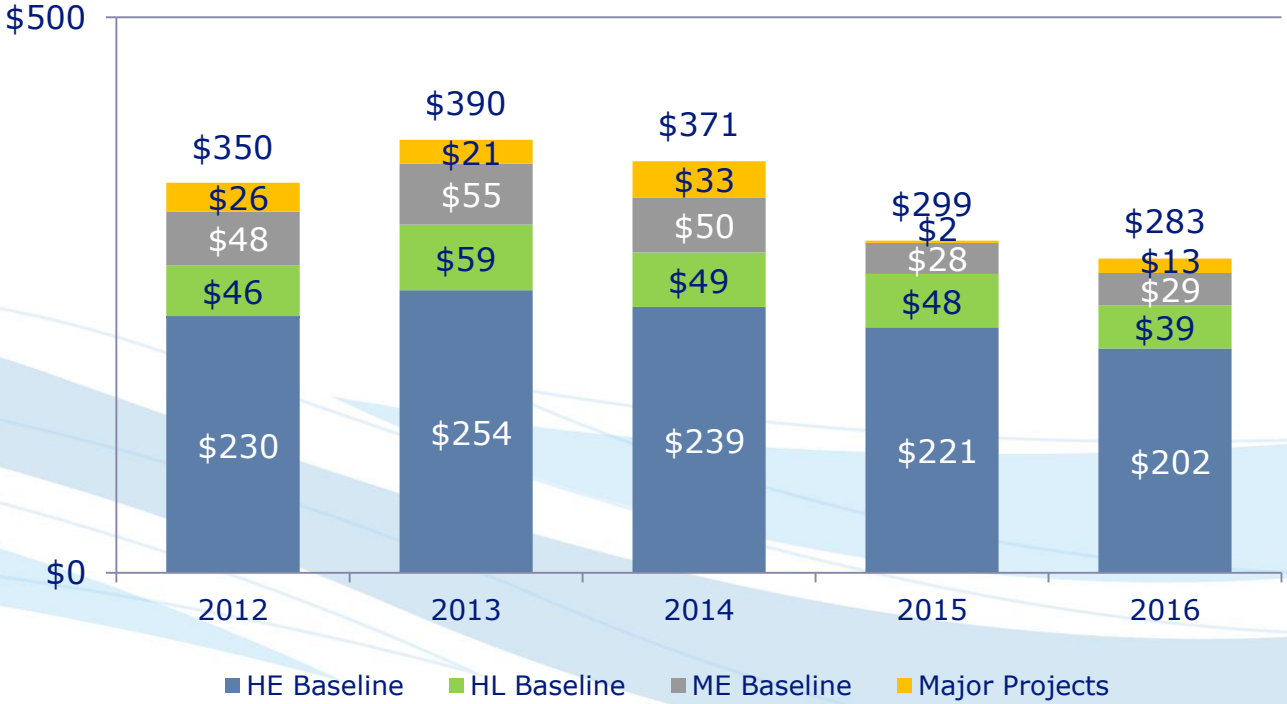



1 Hawaiian Electric Oahu average revenue per kWh sold

2 Based on the July 2017 energy cost adjustment filing for residential customers only

# Plant Additions – Baseline by company & Consolidated Major Projects (in millions)

**Major projects = PUC approved projects > $2.5 million**




| 5-year (2012-2016) historical average baseline projects: | |
|---|---|
| HE: | $229 |
| HL: | 48 |
| ME: | 42 |
| Total | $319 |

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)

# Power supply improvement plan (PSIP) update

Hawaii PUC Docket No. 2014-0183 (closed)
Accepted on July 14, 2017

- Accelerates achievement of key milestones, including reaching a 48% Renewable Portfolio Standard[1] by 2020; mandated goal is 30%
- Anticipates reaching 100% Renewable Portfolio Standard[1] by 2040, 5 years ahead of mandate
- Describes a greater and faster expansion of the companies' renewable energy portfolio than in the previous plan filed in April 2016
- Plan stresses the need to stay flexible and not crowd out future technological advances
- Focus on near-term actions (2017 - 2021)
- Near-term plans to incorporate Distributed Energy Resources, Community-Based Renewable Energy, Demand Response and Energy Efficiency programs
- Includes continued growth of private rooftop solar to an estimated total of 165,000 private systems by 2030, more than double 2016's total of ~79,000
- Includes an addition of ~360 megawatts of grid-scale solar, ~157 megawatts of grid-scale wind and ~115 megawatts from Demand Response (DR) programs
- Describes grid and generation modernization work needed to reliably integrate renewable energy resources while strengthening resilience
- By March 1, 2018, the utilities must file with the PUC a report that details their planning approach and schedule for the next round of resource planning

1 Electrical energy generated using renewable resources as a percentage of total sales

# Hawaiian Electric Rate Case: 2017 Test Year

Hawaii PUC Docket No. 2016-0328

| | Application (12/16/16) |
|---|---|
| Amount requested | $106.4M (6.9% increase over revenues at current effective rates) [1] |
| Deprec. & amort. expenses | $130.7M |
| Return on average common equity | 10.60% with mechanisms |
| Common equity capitalization (%) | 57.36% |
| Return on rate base | 8.28% |
| Average rate base | $2,002.4M |
| GWh sales | 6,660.2 |

**Rate case assumes existing Balancing Accounts, Trackers and/or Surcharges:** Decoupling Revenue Balancing Account/Revenue Adjustment Mechanism; Energy Cost Adjustment Clause (ECAC): Fuel & Purchased Energy; Pension & OPEB Trackers; DSM Surcharge; Renewable Energy Infrastructure Surcharge and Purchase Power Adjustment Clause (PPAC).

1 Revenues at current effective rates include revenues based on the Final rates approved in Hawaiian Electric Company's 2011 test year rate case and revenues from the ECAC, PPAC, the RAM Revenue Adjustment for the 2016 RAM period, and the RBA and other operating revenues.

# Hawaii Electric Light Rate Case: 2016 Test Year

Hawaii PUC Docket No. 2015-0170

| | Application (9/19/16) | Settlement Agreement (7/11/17) |
|---|---|---|
| Amount requested | $19.3M (6.5% increase over revenues at current effective rates) [1] | Approximately $9.9M (at 9.5% ROE)-$11.1M (at 9.75% ROE)[2] (3.4%-3.8% increase over revenues at current effective rates) |
| Deprec. & amort. expenses | $37.8M | $37.8M |
| Return on average common equity | 10.60% with mechanisms | 9.5%-9.75% With mechanisms |
| Common equity capitalization (%) | 57.12% | 56.69% |
| Return on rate base | 8.44% | 7.80%-7.94% |
| Average rate base | $478.8M | $482.1M |
| GWh sales | 1,040.7 | 1,040.7 |

**Rate case assumes existing Balancing Accounts, Trackers and/or Surcharges:** Decoupling Revenue Balancing Account/Rate Adjustment Mechanism; Energy Cost Adjustment Clause (ECAC): Fuel & Purchased Energy; Pension & OPEB Trackers; DSM Surcharge; Renewable Energy Infrastructure Surcharge and Purchase Power Adjustment Clause (PPAC).

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

2 In Settlement Agreement, Parties settled on all issues except whether the allowed ROE of 9.75% should be reduced 25 basis points for the impact of decoupling. Parties have agreed on revenue increase amounts at 9.5% and 9.75% ROE. Parties filed separate statements of probable entitlement on July 21, 2017.

# Hawaiian Electric Rate Case: 2011 Test Year

Hawaii PUC Docket No. 2010-0080

| | Application (7/30/10) | Interim D&O (eff.7/26/11) | Adjusted Interim D&O (eff.5/21/12) | Final D&O (eff.9/1/12) |
|---|---|---|---|---|
| Base Request<br><br>New Programs | $74M<br>(4.3% increase)<br>$40M<br>(2.3% increase) | $53.2M[2]<br>(3.1% increase) | $58.8M[2,3]<br>(3.4% increase) | $58.1M[4]<br>(3.4% increase) |
| Deprec. & amort. expenses | $90.1M | $87.5M | $88.8M | $88.8M |
| Return on average common equity | 10.75%<br>with mechanisms | 10.00%<br>with mechanisms | 10.00%<br>with mechanisms | 10.00%<br>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] | $1.354B[2] | $1.386B[2] | $1.386B[2] |
| 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 Interim D&O and a subsequent Order Granting Hawaiian Electric's Motion to Adjust Interim Increase in Hawaiian Electric 2007 test year rate case and the Interim D&O in Hawaiian Electric's 2009 test year rate case. Average rate base in ~~that~~ those D&Os were $1.16B and $1.25B, respectively.

2 Current effective rates are based on the Final D&O in Hawaiian Electric's 2009 test year rate case and also includes the impact of $15M (0.9%) in annual revenues which were being recovered through the decoupling Revenue Adjustment Mechanism. Average rate base in that D&O was $1.25B.

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.

# Hawaii Electric Light Rate Case: 2010 Test Year

Hawaii PUC Docket No. 2009-0164

| | Application (12/9/09) | Interim D&O (eff.1/14/11) | Adj Interim D&O[3] (eff.1/1/12) | Final D&O[4] (eff.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 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, issued February 8, 2012, 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 filed by Hawai'i Electric Light on February 21, 2012, with rates effective April 9, 2012.

# Maui Electric Rate Case: 2012 Test Year

Hawaii PUC Docket No. 2011-0092

| | Application (7/22/11) | Interim D&O (eff.6/1/12) | Final D&O (eff.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 mechanisms | $19.7M with mechanisms | $19.7M with mechanisms |
| 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:

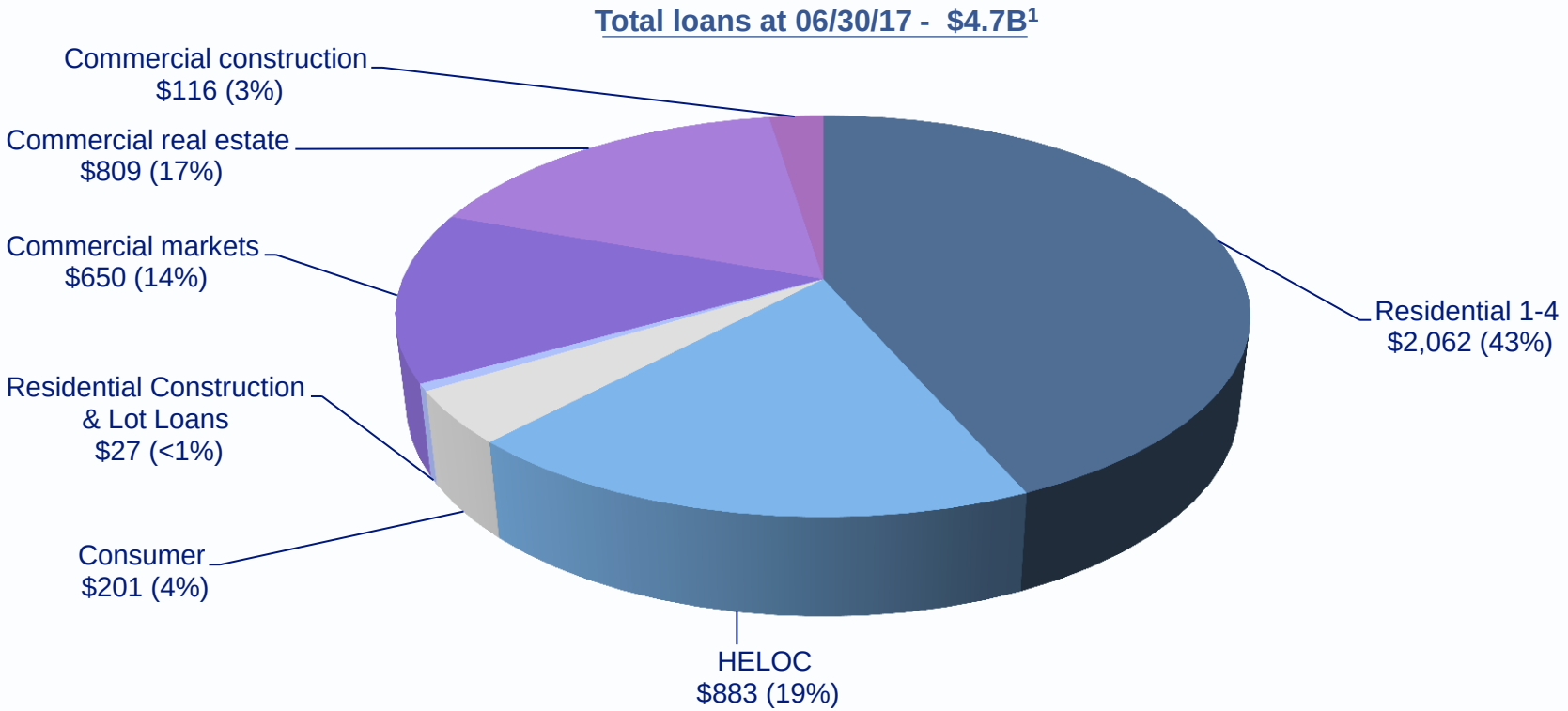
- Return on rate base $ 3.0 M
- O&M $19.5 M
- Other, net $ 5.0 M

2 Current effective rates are based on the adjusted interim D&O in the Maui Electric's 2010 test year rate case. 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 approved interim rates 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.

# Low-risk loan mix




Note: $ in millions, unless otherwise noted

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

# ASB peer group – 2017

| | | |
|---|---|---|
| * | 1st Source Corporation | SRCE |
| | Ameris Bancorp | ABCB |
| | BancFirst Corporation | BANF |
| | Berkshire Hills Bancorp, Inc. | BHLB |
| | BNC Bancorp | BNCN |
| * | BofI Holding, Inc. | BOFI |
| | Boston Private Financial Holdings, Inc. | BPFH |
| | Bridge Bancorp, Inc. | BDGE |
| | Brookline Bancorp, Inc. | BRKL |
| * | 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 |
| | Dime Community Bancshares, Inc. | DCOM |
| * | Eagle Bancorp, Inc. | EGBN |
| | Enterprise Financial Services Corp | EFSC |
| * | Farmers & Merchants Bank of Long Beach | FMBL |
| | Fidelity Southern Corporation | LION |
| | Financial Institutions, Inc. | FISI |
| | First Bancorp | FBNC |
| | 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 |
| | Heritage Financial Corporation | HFWA |
| | HomeStreet, Inc. | HMST |
| | Independent Bank Corp. | INDB |
| | Independent Bank Group, Inc. | IBTX |
| | Kearny Financial Corp. | KRNY |
| | Lakeland Bancorp, Inc. | LBAI |
| * | Lakeland Financial Corporation | LKFN |
| | MainSource Financial Group, Inc. | MSFG |
| | Meridian Bancorp, Inc. | EBSB |
| | Meta Financial Group, Inc. | CASH |
| | National Bank Holdings Corporation | NBHC |
| | Northfield Bancorp, Inc. | NFBK |
| | OceanFirst Financial Corp. | OCFC |
| | Opus Bank | OPB |
| * | Oritani Financial Corp. | ORIT |
| | Pacific Premier Bancorp, Inc. | PPBI |
| * | Park National Corporation | PRK |
| | Republic Bancorp, Inc. | RBCAA |
| * | S&T Bancorp, Inc. | STBA |
| | Sandy Spring Bancorp, Inc. | SASR |
| | Seacoast Banking Corporation of Florida | SBCF |
| * | ServisFirst Bancshares, Inc. | SFBS |
| | Southside Bancshares, Inc. | SBSI |
| | State Bank Financial Corporation | STBZ |
| | Tompkins Financial Corporation | TMP |
| | TowneBank | TOWN |
| | TriCo Bancshares | TCBK |
| | TriState Capital Holdings, Inc. | TSC |
| | TrustCo Bank Corp NY | TRST |
| | United Financial Bancorp, Inc. | UBNK |
| | Univest Corporation of Pennsylvania | UVSP |
| * | Washington Trust Bancorp, Inc. | WASH |
| * | Westamerica Bancorporation | WABC |
| | WSFS Financial Corporation | WSFS |
| | Yadkin Financial Corporation | YDKN |

Note: Based on year-end 2016 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 January 26, 2017). 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

# Continued favorable outlook for Hawaii's economy

**Tourism**

| Year-over-year % change | 2016 | 2017E | 2018E |
|---|---|---|---|
| Visitor Arrivals | +3.1% | +1.9% | +1.1% |

**Unemployment Rate (%)**

| | 2016 | 2017E | 2018E |
|---|---|---|---|
| Hawaii | +3.0% | +2.8% | +2.9% |

**Real personal income**

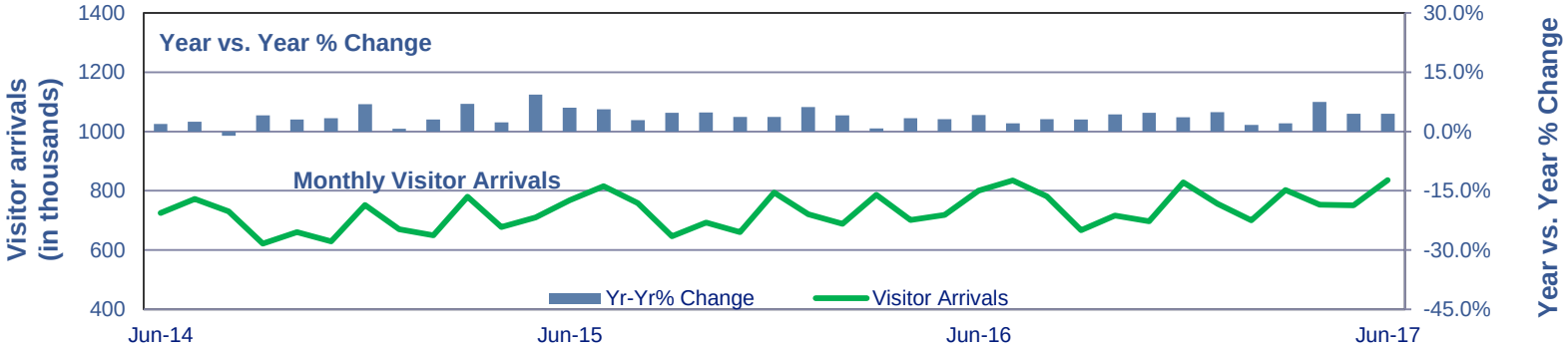
| | 2016 | 2017E | 2018E |
|---|---|---|---|
| Hawaii | +2.4% | +1.6% | +1.5% |

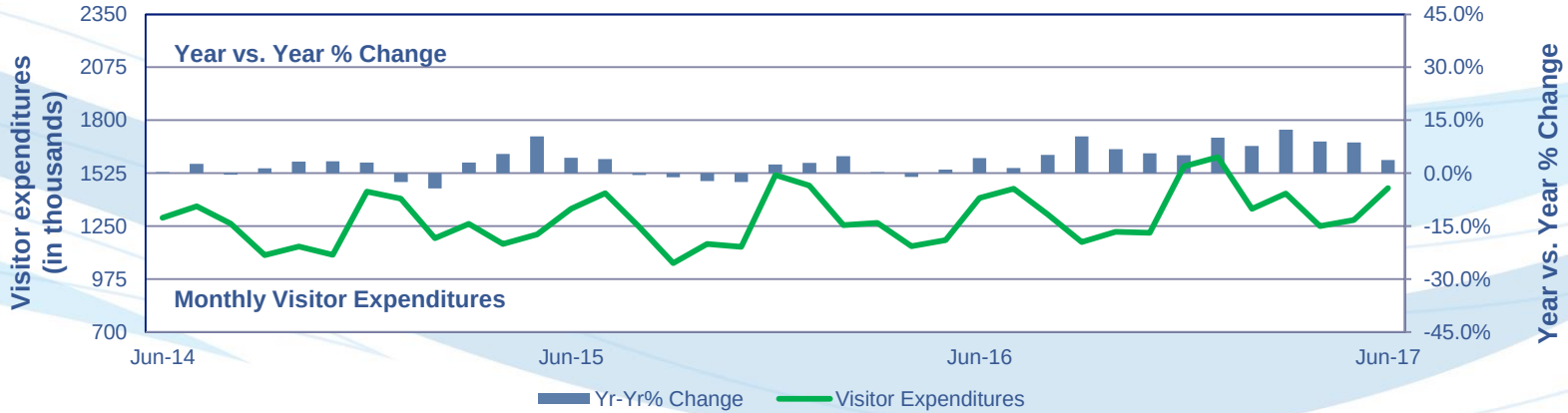
**Real State GDP**

| | 2016 | 2017E | 2018E |
|---|---|---|---|
| Hawaii | +2.3% | +1.4% | +1.3% |

Source: University of Hawai'i Economic Research Organization (UHERO) May 5, 2017 report. 2016 real state GDP is a UHERO estimate. Figures for 2017-2018 are UHERO forecasts.

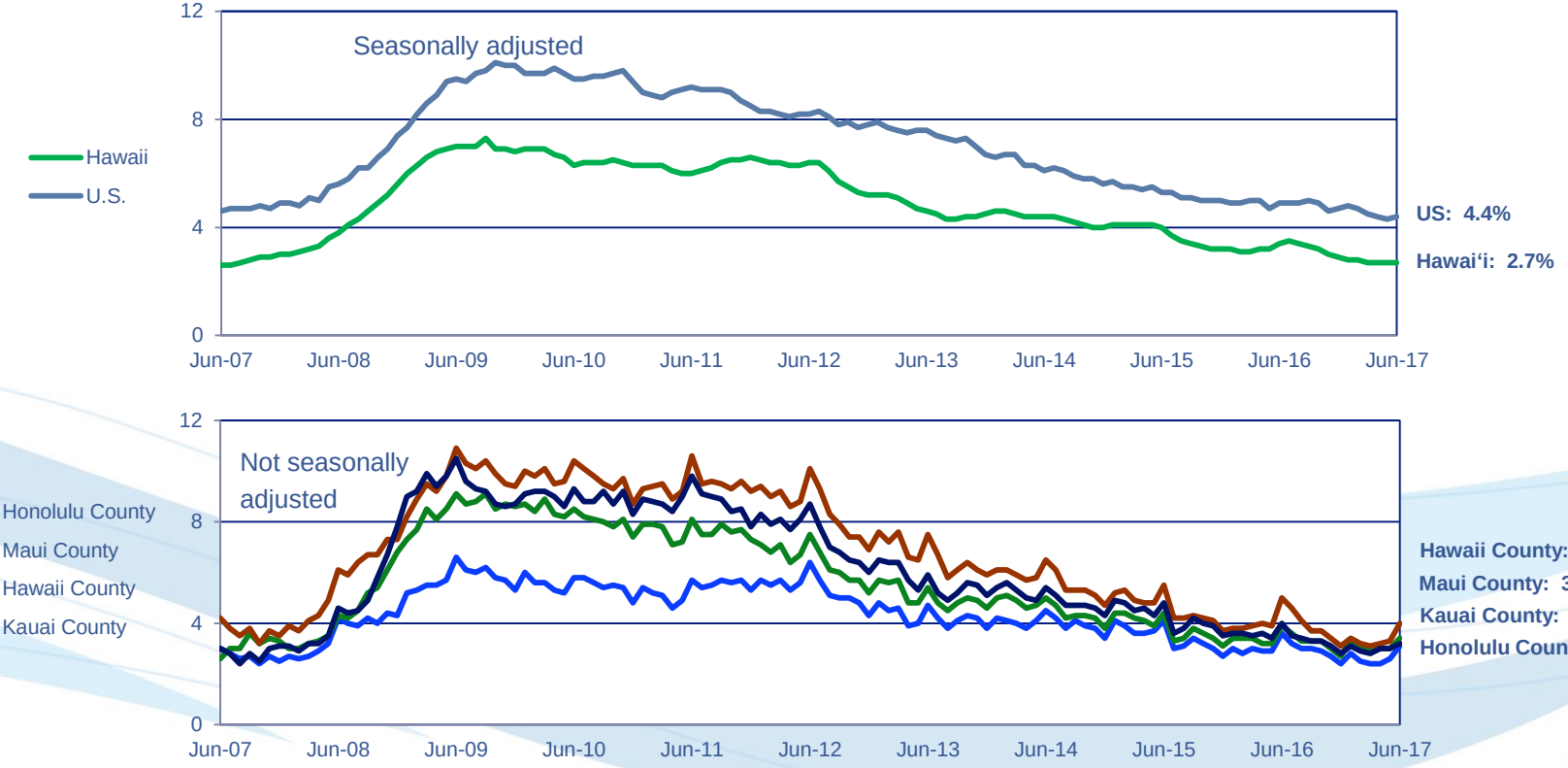
# YTD Hawaii visitor arrivals up 4.3% and visitor expenditures up 8.7%



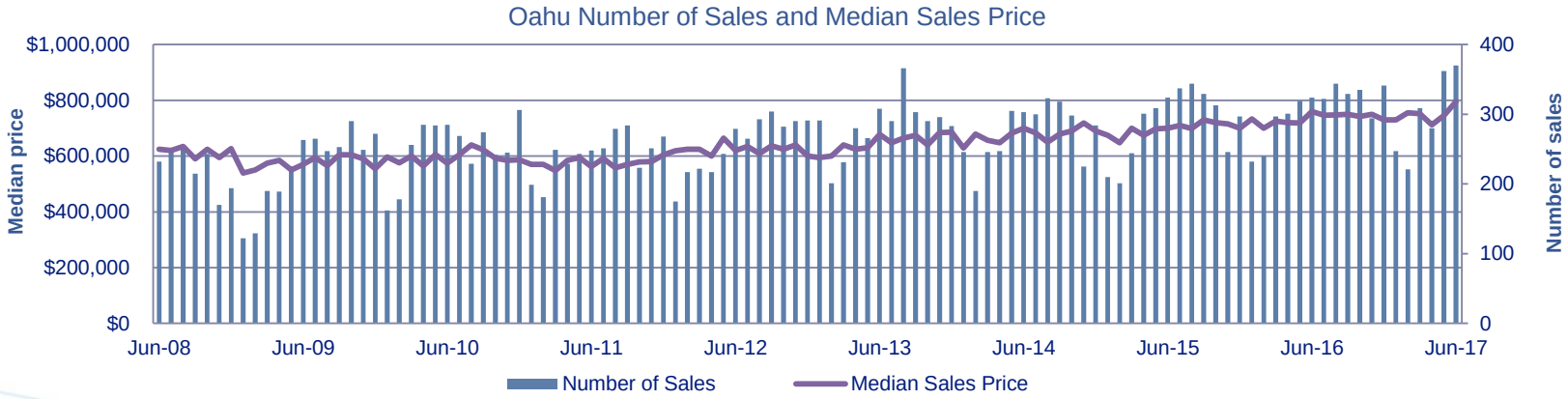

Source: State of Hawaii Department of Business, Economic Development and Tourism

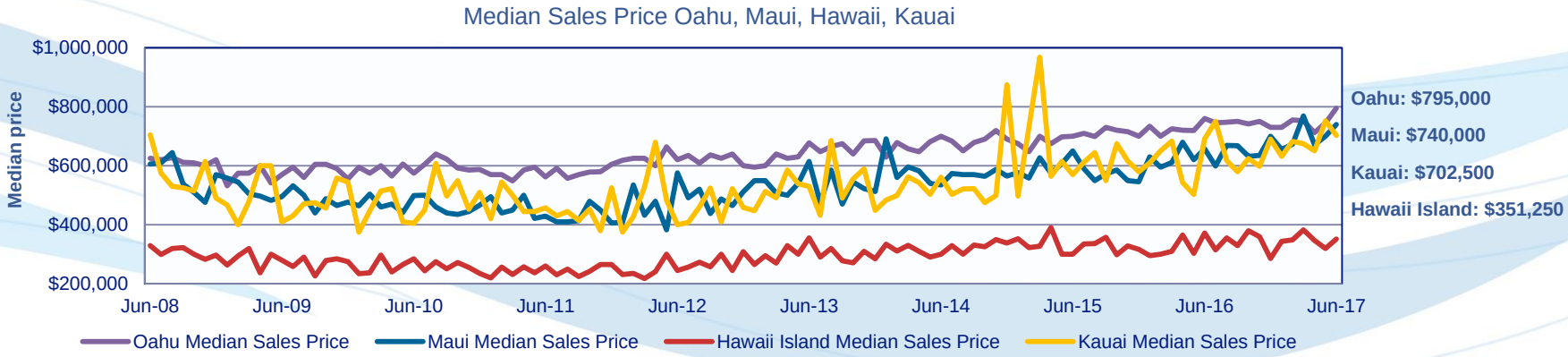
# Hawaii unemployment rate remains low at 2.7%




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

# Hawaii real estate (June 2008 – June 2017)




Source: Title Guaranty (2008 - current)

## 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 given the non-recurring nature of these items. 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 are limited to income, costs and associated taxes related to the terminated merger between HEI and NextEra Energy, Inc., the cancelled spin-off of ASB Hawaii, Inc., and the termination of the 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. 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

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| **($ in millions, except per share amounts)** | **2017** | **2016** | **2017** | **2016** |
| **HEI CONSOLIDATED COSTS RELATED TO THE TERMINATED MERGER WITH NEXTERA ENERGY AND CANCELLED SPIN-OFF OF ASB HAWAII** | | | | |
| **Pre-tax expenses** | **$ —** | **$ 2.0** | **$ —** | **$ 3.6** |
| Current income tax benefits | — | — | — | — |
| **After-tax expenses** | **$ —** | **$ 2.0** | **$ —** | **$ 3.6** |
| **HEI CONSOLIDATED LNG CONTRACT COSTS[2]** | | | | |
| **Pre-tax expenses** | **$ —** | **$ 1.2** | **$ —** | **$ 3.4** |
| Current income tax benefits | — | (0.5) | — | (1.3) |
| **After-tax expenses** | **$ —** | **$ 0.7** | **$ —** | **$ 2.1** |
| **HEI CONSOLIDATED NET INCOME** | | | | |
| **GAAP (as reported)** | **$ 38.7** | **$ 44.1** | **$ 72.9** | **$ 76.5** |
| Excluding special items (after-tax): | | | | |
| Costs related to the terminated merger with NextEra Energy and cancelled spin-off of ASB Hawaii | — | 2.0 | — | 3.6 |
| Costs related to the terminated LNG contract[2] | — | 0.7 | — | 2.1 |
| **Non-GAAP (core) net income** | **$ 38.7** | **$ 46.9** | **$ 72.9** | **$ 82.1** |
| **HEI CONSOLIDATED DILUTED EARNINGS PER COMMON SHARE** | | | | |
| **GAAP (as reported)** | **$ 0.36** | **$ 0.41** | **$ 0.67** | **$ 0.71** |
| Excluding special items (after-tax): | | | | |
| Costs related to the terminated merger with NextEra Energy and cancelled spin-off of ASB Hawaii | — | 0.02 | — | 0.03 |
| Costs related to the terminated LNG contract[2] | — | 0.01 | — | 0.02 |
| **Non-GAAP (core) diluted earnings per common share** | **$ 0.36** | **$ 0.43** | **$ 0.67** | **$ 0.76** |

| | Twelve months ended June 30 | |
|---|---|---|
| | **2017** | **2016** |
| **HEI CONSOLIDATED RETURN ON AVERAGE COMMON EQUITY (ROACE)** (simple average) | | |
| **Based on GAAP** | **12.1%** | **8.8%** |
| **Based on non-GAAP (core)[3]** | **8.9%** | **9.3%** |

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

| ($ in millions) | Three months ended June 30 2017 | Three months ended June 30 2016 | Six months ended June 30 2017 | Six months ended June 30 2016 |
|---|---|---|---|---|
| **HAWAIIAN ELECTRIC CONSOLIDATED COSTS RELATED TO THE TERMINATED MERGER WITH NEXTERA ENERGY** | | | | |
| **Pre-tax expenses** | **$ —** | **$ —** | **$ —** | **$ 0.1** |
| Current income tax benefits | — | — | — | — |
| **After-tax expenses** | **$ —** | **$ —** | **$ —** | **$ 0.1** |
| **HAWAIIAN ELECTRIC CONSOLIDATED LNG CONTRACT COSTS[2]** | | | | |
| **Pre-tax expenses** | **$ —** | **$ 1.2** | **$ —** | **$ 3.4** |
| Current income tax benefits | — | (0.5) | — | (1.3) |
| **After-tax expenses** | **$ —** | **$ 0.7** | **$ —** | **$ 2.1** |
| **HAWAIIAN ELECTRIC CONSOLIDATED NET INCOME** | | | | |
| **GAAP (as reported)** | **$ 25.6** | **$ 35.9** | **$ 47.1** | **$ 61.2** |
| Excluding special items (after-tax): | | | | |
| Costs related to the terminated merger with NextEra Energy | — | — | — | 0.1 |
| Costs related to the terminated LNG contract[2] | — | 0.7 | — | 2.1 |
| **Non-GAAP (core) net income** | **$ 25.6** | **$ 36.6** | **$ 47.1** | **$ 63.4** |

| | Twelve months ended June 30 2017 | Twelve months ended June 30 2016 |
|---|---|---|
| **HAWAIIAN ELECTRIC CONSOLIDATED RETURN ON AVERAGE COMMON EQUITY (ROACE)** (simple average) | | |
| **Based on GAAP** | **7.23%** | **7.98%** |
| **Based on non-GAAP (core)[3]** | **7.23%** | **8.12%** |

| ($ in millions) | Three months ended June 30 2017 | Three months ended June 30 2016 | Six months ended June 30 2017 | Six months ended June 30 2016 |
|---|---|---|---|---|
| **HAWAIIAN ELECTRIC CONSOLIDATED OTHER OPERATION AND MAINTENANCE (O&M) EXPENSE** | | | | |
| **GAAP (as reported)** | **$ 106.4** | **$ 99.6** | **$ 206.6** | **$ 203.5** |
| Excluding O&M-related net income neutral items[4] | 0.9 | 1.5 | 2.0 | 3.1 |
| Excluding costs related to the terminated merger with NextEra Energy | — | — | — | 0.1 |
| Excluding costs related to the terminated LNG contract[2] | — | 1.2 | — | 3.4 |
| **Non-GAAP (Adjusted other O&M expense)** | **$ 105.4** | **$ 96.8** | **$ 204.6** | **$ 196.8** |

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