HAWAIIAN ELECTRIC CO INC
Form 10-Q
November 07, 2013
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

OR

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

Exact Name of Registrant as Specified in Its Charter	Commission File Number	I.R.S. Employer Identification No.
HAWAIIAN ELECTRIC INDUSTRIES, INC.	1-8503	99-0208097
and Principal Subsidiary		
HAWAIIAN ELECTRIC COMPANY, INC.	1-4955	99-0040500

State of Hawaii
(State or other jurisdiction of incorporation or organization)

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

Hawaiian Electric Industries, Inc. – (808) 543-5662
Hawaiian Electric Company, Inc. – (808) 543-7771
(Registrant’s telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Hawaiian Electric Industries, Inc. Yes x No o Hawaiian Electric Company, Inc. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Hawaiian Electric Industries, Inc. Yes x No o Hawaiian Electric Company, Inc. Yes x No o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Hawaiian Electric Industries, Inc. Yes o No x Hawaiian Electric Company, Inc. Yes o No x

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

Hawaiian Electric Industries, Inc.	Large accelerated filer x	Hawaiian Electric Company, Inc.	Large accelerated filer o
	Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o		Accelerated filer o Non-accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company o

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class of Common Stock	Outstanding October 31, 2013
Hawaiian Electric Industries, Inc. (Without Par Value)	99,605,735 Shares
Hawaiian Electric Company, Inc. ($6-2/3 Par Value)	14,665,264 Shares (not publicly traded)

Hawaiian Electric Industries, Inc. and Subsidiaries
Hawaiian Electric Company, Inc. and Subsidiaries
Form 10-Q—Quarter ended September 30, 2013

TABLE OF CONTENTS

Hawaiian Electric Industries, Inc. and Subsidiaries
Hawaiian Electric Company, Inc. and Subsidiaries
Form 10-Q—Quarter ended September 30, 2013

GLOSSARY OF TERMS

Terms	Definitions
AFTAP	Adjusted Funding Target Attainment Percentage
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income/(loss)
ARO	Asset retirement obligation
ASB	American Savings Bank, F.S.B., a wholly-owned subsidiary of American Savings Holdings, Inc.
ASHI	American Savings Holdings, Inc., a wholly owned subsidiary of Hawaiian Electric Industries, Inc. and the parent company of American Savings Bank, F.S.B.
ASU	Accounting Standards Update
CIP CT-1	Campbell Industrial Park 110 MW combustion turbine No. 1
CIS	Customer Information System
Company	Hawaiian Electric Industries, Inc. and its direct and indirect subsidiaries, including, without limitation, Hawaiian Electric Company, Inc. and its subsidiaries (listed under Hawaiian Electric); American Savings Holdings, Inc. and its subsidiary, American Savings Bank, F.S.B.; HEI Properties, Inc.; Hawaiian Electric Industries Capital Trust II and Hawaiian Electric Industries Capital Trust III (inactive financing entities); and The Old Oahu Tug Service, Inc. (formerly Hawaiian Tug & Barge Corp.).
Consumer Advocate	Division of Consumer Advocacy, Department of Commerce and Consumer Affairs of the State of Hawaii
DBEDT	State of Hawaii Department of Business, Economic Development and Tourism
D&O	Decision and order
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DOH	Department of Health of the State of Hawaii
DRIP	HEI Dividend Reinvestment and Stock Purchase Plan
DSM	Demand-side management
ECAC	Energy cost adjustment clauses
EIP	2010 Equity and Incentive Plan
EGU	Electrical generating unit
Energy Agreement	Agreement dated October 20, 2008 and signed by the Governor of the State of Hawaii, the State of Hawaii Department of Business, Economic Development and Tourism, the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and Hawaiian Electric, for itself and on behalf of its electric utility subsidiaries committing to actions to develop renewable energy and reduce dependence on fossil fuels in support of the HCEI
EPA	Environmental Protection Agency — federal
EPS	Earnings per share
ERISA	Employee Retirement Income Security Act of 1974, as amended
EVE	Economic value of equity
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
federal	U.S. Government
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation

FNMA	Federal National Mortgage Association
FRB	Federal Reserve Board

GLOSSARY OF TERMS, continued

Terms	Definitions
GAAP	U.S. generally accepted accounting principles
GHG	Greenhouse gas
GNMA	Government National Mortgage Association
HCEI	Hawaii Clean Energy Initiative
Hawaiian Electric	Hawaiian Electric Company, Inc., an electric utility subsidiary of Hawaiian Electric Industries, Inc. and parent company of Hawaii Electric Light Company, Inc., Maui Electric Company, Limited, HECO Capital Trust III (unconsolidated financing subsidiary), Renewable Hawaii, Inc. and Uluwehiokama Biofuels Corp.
HEI	Hawaiian Electric Industries, Inc., direct parent company of Hawaiian Electric Company, Inc., American Savings Holdings, Inc., HEI Properties, Inc., Hawaiian Electric Industries Capital Trust II, Hawaiian Electric Industries Capital Trust III and The Old Oahu Tug Service, Inc. (formerly Hawaiian Tug & Barge Corp.)
HEIRSP	Hawaiian Electric Industries Retirement Savings Plan
Hawaii Electric Light	Hawaii Electric Light Company, Inc., an electric utility subsidiary of Hawaiian Electric Company, Inc.
HPOWER	City and County of Honolulu with respect to a power purchase agreement for a refuse-fired plant
IPP	Independent power producer
IRP	Integrated resource planning
Kalaeloa	Kalaeloa Partners, L.P.
KW	Kilowatt
KWH	Kilowatthour
LTIP	Long-term incentive plan
MAP-21	Moving Ahead for Progress in the 21st Century Act
Maui Electric	Maui Electric Company, Limited, an electric utility subsidiary of Hawaiian Electric Company, Inc.
MW	Megawatt/s (as applicable)
NII	Net interest income
NQSO	Nonqualified stock option
O&M	Other operation and maintenance
OCC	Office of the Comptroller of the Currency
OPEB	Postretirement benefits other than pensions
PPA	Power purchase agreement
PPAC	Purchased power adjustment clause
PUC	Public Utilities Commission of the State of Hawaii
RAM	Revenue adjustment mechanism
RBA	Revenue balancing account
RFP	Request for proposal
REIP	Renewable Energy Infrastructure Program
RHI	Renewable Hawaii, Inc., a wholly owned subsidiary of Hawaiian Electric Company, Inc.
ROACE	Return on average common equity
RORB	Return on average rate base
RPS	Renewable portfolio standard
SAR	Stock appreciation right
SEC	Securities and Exchange Commission
See	Means the referenced material is incorporated by reference
SOIP	1987 Stock Option and Incentive Plan, as amended
TDR	Troubled debt restructuring
UBC	Uluwehiokama Biofuels Corp., a non-regulated subsidiary of Hawaiian Electric Company, Inc.

Utilities	Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc. and Maui Electric Company, Limited
VIE	Variable interest entity

FORWARD-LOOKING STATEMENTS

This report and other presentations made by Hawaiian Electric Industries, Inc. (HEI) and Hawaiian Electric Company, Inc. (Hawaiian Electric) and their subsidiaries contain “forward-looking statements,” which include statements that are predictive in nature, depend upon or refer to future events or conditions, and usually include words such as “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 American Savings Bank, F.S.B. (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 (including the effects of sequestration), 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, unrest, conflict and the overthrow of governmental regimes in North Africa and the Middle East, terrorist acts, the war on terrorism, continuing U.S. presence in Afghanistan and potential conflict or crisis with North Korea or Iran);
- the effects of future actions or inaction of the U.S. government or related agencies, including those related to the U.S. debt ceiling, a shutdown of the federal government, or monetary policy;
- weather and natural disasters (e.g., hurricanes, earthquakes, tsunamis, lightning strikes and the potential effects of climate change, such as more severe storms and rising sea levels), including their impact on Company 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 to access credit markets to obtain commercial paper and other short-term and long-term debt financing (including lines of credit) and to access capital markets to issue HEI 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 implementation of the Energy Agreement with the State of Hawaii and Consumer Advocate (Energy Agreement), setting forth the goals and objectives of a Hawaii Clean Energy Initiative (HCEI), and the fulfillment by the electric utilities of their commitments under the Energy Agreement (given the Public Utilities Commission of the State of Hawaii (PUC) approvals needed; the PUC’s potential delay in considering (and potential disapproval of actual or proposed) HCEI-related costs; reliance by the Company on outside parties such as the state, independent power producers (IPPs) and developers; potential changes in political support for the HCEI; and uncertainties surrounding wind power, proposed undersea cables, biofuels, environmental assessments and the impacts of implementation of the HCEI on future costs of electricity);
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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, 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, performance by suppliers of their fuel oil delivery obligations and the continued availability to the electric utilities of their energy cost adjustment clauses (ECACs);
- the continued availability to the electric utilities of other cost recovery mechanisms, including the purchased power adjustment clauses (PPACs), revenue adjustment mechanisms (RAMs) and pension and postretirement benefits other than pensions (OPEB) tracking mechanisms, and the continued decoupling of revenues from sales;
- the impact of fuel price volatility on customer satisfaction and political and regulatory support for the Utilities;

iv

- the risks associated with increasing reliance on renewable energy, as contemplated under the Energy Agreement, 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 ability of IPPs to deliver the firm capacity anticipated in their power purchase agreements (PPAs);
- the ability of the electric 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 HEI and its subsidiaries (including Hawaiian Electric and its subsidiaries and ASB) or their competitors;
- cyber security risks and the potential for cyber incidents, including potential incidents at HEI, ASB and Hawaiian Electric and their subsidiaries (including at ASB branches and at the 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, Hawaiian Electric, ASB and their subsidiaries (including changes in taxation, increases in capital requirements, regulatory changes resulting from the HCEI, 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);
- 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 renewable portfolio standards (RPS));
- potential enforcement actions by the Office of the Comptroller of the Currency, 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 electric utilities to recover increasing costs and earn a reasonable return on capital investments not covered by revenue adjustment mechanisms;
- 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, Hawaiian Electric, ASB and their subsidiaries, including the possible adoption of International Financial Reporting Standards or 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 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, Hawaiian Electric, ASB and their subsidiaries;
- the risks of suffering losses and incurring liabilities that are uninsured (e.g., damages to the Utilities' transmission and distribution system and losses from business interruption) or underinsured (e.g., losses not covered as a result of

insurance deductibles or other exclusions or exceeding policy limits); and

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

Forward-looking statements speak only as of the date of the report, presentation or filing in which they are made. Except to the extent required by the federal securities laws, HEI, Hawaiian Electric, ASB and their subsidiaries undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

v

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three months ended September 30		Nine months ended September 30	
(in thousands, except per share amounts)	2013	2012	2013	2012
Revenues				
Electric utility	$766,115	$801,095	$2,216,076	$2,340,257
Bank	65,058	66,596	195,841	196,569
Other	56	29	106	22
Total revenues	831,229	867,720	2,412,023	2,536,848
Expenses				
Electric utility	694,201	726,276	2,030,071	2,146,688
Bank	42,223	44,974	126,550	130,161
Other	4,706	4,768	12,276	13,075
Total expenses	741,130	776,018	2,168,897	2,289,924
Operating income (loss)				
Electric utility	71,914	74,819	186,005	193,569
Bank	22,835	21,622	69,291	66,408
Other	(4,650)	(4,739)	(12,170)	(13,053)
Total operating income	90,099	91,702	243,126	246,924
Interest expense—other than on deposit liabilities and other bank borrowings	(20,304)	(20,020)	(59,705)	(58,758)
Allowance for borrowed funds used during construction	498	688	1,626	2,451
Allowance for equity funds used during construction	1,255	1,611	4,030	5,548
Income before income taxes	71,548	73,981	189,077	196,165
Income taxes	22,841	25,804	65,157	69,926
Net income	48,707	48,177	123,920	126,239
Preferred stock dividends of subsidiaries	471	471	1,417	1,417
Net income for common stock	$48,236	$47,706	$122,503	$124,822
Basic earnings per common share	$0.49	$0.49	$1.24	$1.29
Diluted earnings per common share	$0.48	$0.49	$1.23	$1.29
Dividends per common share	$0.31	$0.31	$0.93	$0.93
Weighted-average number of common shares outstanding	99,204	97,157	98,670	96,674
Net effect of potentially dilutive shares	614	361	620	423
Adjusted weighted-average shares	99,818	97,518	99,290	97,097

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

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

	Three months ended September 30		Nine months ended September 30	
(in thousands)	2013	2012	2013	2012
Net income for common stock	$48,236	$47,706	$122,503	$124,822
Other comprehensive income (loss), net of taxes:				
Net unrealized gains (losses) on securities:				
Net unrealized gains (losses) on securities arising during the period, net of (taxes) benefits of $1,049 and ($689) for the three months ended September 30, 2013 and 2012 and $7,081 and ($1,261) for the nine months ended September 30, 2013 and 2012, respectively	(1,589)	1,043	(10,724)	1,910
Less: reclassification adjustment for net realized gains included in net income, net of taxes of nil for the three months ended September 30, 2013 and 2012 and $488 and $53 for the nine months ended September 30, 2013 and 2012, respectively	—	—	(738)	(81)
Derivatives qualified as cash flow hedges:				
Less: reclassification adjustment to net income, net of tax benefits of $37 for the three months ended September 30, 2013 and 2012 and $112 for the nine months ended September 30, 2013 and 2012	59	59	177	177
Retirement benefit plans:				
Less: amortization of transition obligation, prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits of $3,697 and $2,443 for the three months ended September 30, 2013 and 2012 and $11,173 and $7,321 for the nine months ended September 30, 2013 and 2012, respectively	5,789	3,826	17,490	11,467
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of $3,284 and $2,129 for the three months ended September 30, 2013 and 2012 and $9,852 and $6,386 for the nine months ended September 30, 2013 and 2012, respectively	(5,156)	(3,342)	(15,468)	(10,026)
Other comprehensive income (loss), net of taxes	(897)	1,586	(9,263)	3,447
Comprehensive income attributable to Hawaiian Electric Industries, Inc.	$47,339	$49,292	$113,240	$128,269

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

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

(dollars in thousands)	September 30, 2013		December 31, 2012	
Assets				
Cash and cash equivalents		$215,042		$219,662
Accounts receivable and unbilled revenues, net		350,083		362,823
Available-for-sale investment and mortgage-related securities		535,264		671,358
Investment in stock of Federal Home Loan Bank of Seattle		93,413		96,022
Loans receivable held for investment, net		4,005,132		3,737,233
Loans held for sale, at lower of cost or fair value		5,829		26,005
Property, plant and equipment, net of accumulated depreciation of $2,173,583 in 2013 and $2,125,286 in 2012		3,776,305		3,594,829
Regulatory assets		890,419		864,596
Other		475,335		494,414
Goodwill		82,190		82,190
Total assets		$10,429,012		$10,149,132
Liabilities and shareholders' equity				
Liabilities				
Accounts payable		$206,803		$212,379
Interest and dividends payable		27,232		26,258
Deposit liabilities		4,310,842		4,229,916
Short-term borrowings—other than bank		131,341		83,693
Other bank borrowings		239,612		195,926
Long-term debt, net—other than bank		1,422,880		1,422,872
Deferred income taxes		493,662		439,329
Regulatory liabilities		337,720		322,074
Contributions in aid of construction		425,916		405,520
Defined benefit pension and other postretirement benefit plans liability		630,904		656,394
Other		512,342		526,613
Total liabilities		8,739,254		8,520,974
Preferred stock of subsidiaries - not subject to mandatory redemption		34,293		34,293
Commitments and contingencies (Note 8)				
Shareholders' equity				
Preferred stock, no par value, authorized 10,000,000 shares; issued: none		—		—
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding: 99,541,518 shares in 2013 and 97,928,403 shares in 2012		1,443,583		1,403,484
Retained earnings		247,568		216,804
Accumulated other comprehensive income (loss), net of taxes				
Net unrealized gains (losses) on securities	$(701)		$10,761	
Unrealized losses on derivatives	(583)		(760)	
Retirement benefit plans	(34,402)	(35,686)	(36,424)	(26,423)
Total shareholders' equity		1,655,465		1,593,865
Total liabilities and shareholders' equity		$10,429,012		$10,149,132

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

Hawaiian Electric Industries, Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity (unaudited)

	Common stock		Retained	Accumulated other comprehensive	
(in thousands, except per share amounts)	Shares	Amount	Earnings	loss	Total
Balance, December 31, 2012	97,928	$1,403,484	$216,804	$(26,423)	$1,593,865
Net income for common stock	—	—	122,503	—	122,503
Other comprehensive loss, net of tax benefits	—	—	—	(9,263)	(9,263)
Issuance of common stock, net	1,614	40,099	—	—	40,099
Common stock dividends ($0.93 per share)	—	—	(91,739)	—	(91,739)
Balance, September 30, 2013	99,542	$1,443,583	$247,568	$(35,686)	$1,655,465
Balance, December 31, 2011	96,038	$1,349,446	$198,397	$(19,137)	$1,528,706
Net income for common stock	—	—	124,822	—	124,822
Other comprehensive income, net of taxes	—	—	—	3,447	3,447
Issuance of common stock, net	1,387	40,161	—	—	40,161
Dividend equivalents paid on equity-classified awards	—	—	(99)	—	(99)
Common stock dividends ($0.93 per share)	—	—	(89,902)	—	(89,902)
Balance, September 30, 2012	97,425	$1,389,607	$233,218	$(15,690)	$1,607,135

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

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

Nine months ended September 30	2013	2012
(in thousands)		
Cash flows from operating activities		
Net income	$123,920	$126,239
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property, plant and equipment	120,355	112,946
Other amortization	2,352	4,811
Provision for loan losses	953	9,504
Loans receivable originated and purchased, held for sale	(199,772)	(304,289)
Proceeds from sale of loans receivable, held for sale	223,221	302,844
Gain on sale of credit card portfolio	(2,251)	—
Change in deferred income taxes	60,580	82,582
Excess tax benefits from share-based payment arrangements	(469)	(65)
Allowance for equity funds used during construction	(4,030)	(5,548)
Changes in assets and liabilities		
Decrease (increase) in accounts receivable and unbilled revenues, net	12,740	(30,610)
Decrease (increase) in fuel oil stock	24,332	(31,372)
Increase in regulatory assets	(53,314)	(57,793)
Decrease in accounts, interest and dividends payable	(21,708)	(5,905)
Decrease in prepaid and accrued income taxes and utility revenue taxes	(19,212)	(5,121)
Contributions to defined benefit pension and other postretirement benefit plans	(62,279)	(64,006)
Other increase in defined benefit pension and other postretirement benefit plans liability	61,770	49,950
Change in other assets and liabilities	(20,462)	(62,563)
Net cash provided by operating activities	246,726	121,604
Cash flows from investing activities		
Available-for-sale investment and mortgage-related securities purchased	(39,721)	(146,794)
Principal repayments on available-for-sale investment and mortgage-related securities	84,487	104,310
Proceeds from sale of available-for-sale investment and mortgage-related securities	71,367	3,548
Net increase in loans held for investment	(293,996)	(75,982)
Proceeds from sale of real estate acquired in settlement of loans	8,777	9,659
Capital expenditures	(247,392)	(225,961)
Contributions in aid of construction	23,633	33,106
Proceeds from sale of credit card portfolio	26,386	—
Other	3,035	865
Net cash used in investing activities	(363,424)	(297,249)
Cash flows from financing activities		
Net increase in deposit liabilities	80,926	56,756
Net increase in short-term borrowings with original maturities of three months or less	47,648	13,398
Net decrease in retail repurchase agreements	(6,314)	(22,011)
Proceeds from other bank borrowings	120,000	—
Repayments of other bank borrowings	(70,000)	—
Proceeds from issuance of long-term debt	50,000	457,000
Repayment of long-term debt	(50,000)	(368,500)
Excess tax benefits from share-based payment arrangements	469	65
Net proceeds from issuance of common stock	18,383	16,881
Common stock dividends	(73,584)	(71,966)

Preferred stock dividends of subsidiaries	(1,417)	(1,417)
Other	(4,033)	(6,314)
Net cash provided by financing activities	112,078	73,892
Net decrease in cash and cash equivalents	(4,620)	(101,753)
Cash and cash equivalents, beginning of period	219,662	270,265
Cash and cash equivalents, end of period	$215,042	$168,512

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

Hawaiian Electric Industries, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1 · Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for interim financial information, the instructions to SEC Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses for the period. Actual results could differ significantly from those estimates. The accompanying unaudited consolidated financial statements and the following notes should be read in conjunction with the audited consolidated financial statements and the notes thereto in HEI's Form 10-K for the year ended December 31, 2012 and the unaudited consolidated financial statements and the notes thereto in HEI's Quarterly Reports on SEC Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013.

In the opinion of HEI's management, the accompanying unaudited consolidated financial statements contain all material adjustments required by GAAP to fairly state the Company's financial position as of September 30, 2013 and December 31, 2012, the results of its operations for the three and nine months ended September 30, 2013 and 2012 and its cash flows for the nine months ended September 30, 2013 and 2012. All such adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q or other referenced material. Results of operations for interim periods are not necessarily indicative of results for the full year. When required, certain reclassifications are made to the prior period's consolidated financial statements to conform to the current presentation.

2 · Segment financial information

(in thousands)	Electric utility	Bank	Other	Total
Three months ended September 30, 2013				
Revenues from external customers	$766,109	$65,058	$62	$831,229
Intersegment revenues (eliminations)	6	—	(6)	—
Revenues	766,115	65,058	56	831,229
Income (loss) before income taxes	57,373	22,808	(8,633)	71,548
Income taxes (benefit)	19,058	7,532	(3,749)	22,841
Net income (loss)	38,315	15,276	(4,884)	48,707
Preferred stock dividends of subsidiaries	498	—	(27)	471
Net income (loss) for common stock	37,817	15,276	(4,857)	48,236
Nine months ended September 30, 2013				
Revenues from external customers	$2,216,058	$195,841	$124	$2,412,023
Intersegment revenues (eliminations)	18	—	(18)	—
Revenues	2,216,076	195,841	106	2,412,023
Income (loss) before income taxes	144,212	69,265	(24,400)	189,077
Income taxes (benefit)	51,777	23,915	(10,535)	65,157
Net income (loss)	92,435	45,350	(13,865)	123,920
Preferred stock dividends of subsidiaries	1,496	—	(79)	1,417
Net income (loss) for common stock	90,939	45,350	(13,786)	122,503
Assets (at September 30, 2013)	5,269,758	5,159,372	(118)	10,429,012
Three months ended September 30, 2012				
Revenues from external customers	$801,089	$66,596	$35	$867,720
Intersegment revenues (eliminations)	6	—	(6)	—
Revenues	801,095	66,596	29	867,720
Income (loss) before income taxes	61,268	21,627	(8,914)	73,981
Income taxes (benefit)	22,395	7,419	(4,010)	25,804
Net income (loss)	38,873	14,208	(4,904)	48,177
Preferred stock dividends of subsidiaries	498	—	(27)	471
Net income (loss) for common stock	38,375	14,208	(4,877)	47,706
Nine months ended September 30, 2012				
Revenues from external customers	$2,340,202	$196,569	$77	$2,536,848
Intersegment revenues (eliminations)	55	—	(55)	—
Revenues	2,340,257	196,569	22	2,536,848
Income (loss) before income taxes	154,976	66,964	(25,775)	196,165
Income taxes (benefit)	58,429	22,690	(11,193)	69,926
Net income (loss)	96,547	44,274	(14,582)	126,239
Preferred stock dividends of subsidiaries	1,496	—	(79)	1,417
Net income (loss) for common stock	95,051	44,274	(14,503)	124,822
Assets (at December 31, 2012)	5,108,793	5,041,673	(1,334)	10,149,132

Intercompany electricity sales of the electric utilities to the bank and “other” segments are not eliminated because those segments would need to purchase electricity from another source if it were not provided by consolidated Hawaiian Electric, the profit on such sales is nominal and the elimination of electric sales revenues and expenses could distort segment operating income and net income for common stock.

Bank fees that ASB charges the electric utility and “other” segments are not eliminated because those segments would pay fees to another financial institution if they were to bank with another institution, the profit on such fees is nominal and the elimination of bank fee income and expenses could distort segment operating income and net income for common stock.

3 · Electric utility subsidiary

For consolidated Hawaiian Electric financial information, including its commitments and contingencies, see Hawaiian Electric’s consolidated financial statements beginning on page 33 through Note 10 on page 49.

7

4 · Bank subsidiary

Selected financial information
American Savings Bank, F.S.B.
Statements of Income Data

(in thousands)	Three months ended September 30 2013	2012	Nine months ended September 30 2013	2012
Interest and dividend income				
Interest and fees on loans	$43,337	$43,880	$129,564	$133,241
Interest and dividend on investment and mortgage-related securities	3,025	3,432	9,723	10,534
Total interest and dividend income	46,362	47,312	139,287	143,775
Interest expense				
Interest on deposit liabilities	1,262	1,540	3,870	5,015
Interest on other borrowings	1,206	1,201	3,548	3,676
Total interest expense	2,468	2,741	7,418	8,691
Net interest income	43,894	44,571	131,869	135,084
Provision for loan losses	54	3,580	953	9,504
Net interest income after provision for loan losses	43,840	40,991	130,916	125,580
Noninterest income				
Fees from other financial services	5,728	7,674	21,367	22,474
Fee income on deposit liabilities	4,819	4,527	13,566	13,127
Fee income on other financial products	2,714	1,660	6,288	4,741
Mortgage banking income	1,547	4,077	6,896	8,297
Gain on sale of securities	—	—	1,226	134
Other income	3,888	1,346	7,211	4,021
Total noninterest income	18,696	19,284	56,554	52,794
Noninterest expense				
Compensation and employee benefits	20,564	18,684	60,715	56,026
Occupancy	4,208	4,400	12,550	12,866
Data processing	2,168	2,644	7,982	7,244
Services	2,424	3,062	6,855	7,066
Equipment	1,825	1,762	5,469	5,299
Other expense	8,539	8,096	24,634	22,909
Total noninterest expense	39,728	38,648	118,205	111,410
Income before income taxes	22,808	21,627	69,265	66,964
Income taxes	7,532	7,419	23,915	22,690
Net income	$15,276	$14,208	$45,350	$44,274

American Savings Bank, F.S.B.
Statements of Comprehensive Income Data

	Three months ended September 30		Nine months ended September 30	
(in thousands)	2013	2012	2013	2012
Net income	$15,276	$14,208	$45,350	$44,274
Other comprehensive income (loss), net of taxes:				
Net unrealized gains (losses) on securities:				
Net unrealized gains (losses) on securities arising during the period, net of (taxes) benefits, of $1,049 and ($689) for the three months ended September 30, 2013 and 2012 and $7,081 and ($1,261) for the nine months ended September 30, 2013 and 2012, respectively	(1,589)	1,043	(10,724)	1,910
Less: reclassification adjustment for net realized gains, included in net income, net of taxes, of nil for the three months ended September 30, 2013 and 2012 and $488 and $53 for the nine months ended September 30, 2013 and 2012, respectively	—	—	(738)	(81)
Retirement benefit plans:				
Less: amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits of $278 and $176 for the three months ended September 30, 2013 and 2012 and $2,010 and $508 for the nine months ended September 30, 2013 and 2012, respectively	420	266	3,043	769
Other comprehensive income (loss), net of taxes	(1,169)	1,309	(8,419)	2,598
Comprehensive income	$14,107	$15,517	$36,931	$46,872

American Savings Bank, F.S.B.
Balance Sheets Data

(in thousands)	September 30, 2013		December 31, 2012	
Assets				
Cash and cash equivalents		$189,524		$184,430
Available-for-sale investment and mortgage-related securities		535,264		671,358
Investment in stock of Federal Home Loan Bank of Seattle		93,413		96,022
Loans receivable held for investment		4,046,184		3,779,218
Allowance for loan losses		(41,052)		(41,985)
Loans receivable held for investment, net		4,005,132		3,737,233
Loans held for sale, at lower of cost or fair value		5,829		26,005
Other		248,020		244,435
Goodwill		82,190		82,190
Total assets		$5,159,372		$5,041,673
Liabilities and shareholder's equity				
Deposit liabilities—noninterest-bearing		$1,205,526		$1,164,308
Deposit liabilities—interest-bearing		3,105,316		3,065,608
Other borrowings		239,612		195,926
Other		102,172		117,752
Total liabilities		4,652,626		4,543,594
Commitments and contingencies (see "Litigation" below)				
Common stock		335,448		333,712
Retained earnings		195,113		179,763
Accumulated other comprehensive income (loss), net of taxes				
Net unrealized gains (losses) on securities	$(701)		$10,761	
Retirement benefit plans	(23,114)	(23,815)	(26,157)	(15,396)
Total shareholder's equity		506,746		498,079
Total liabilities and shareholder's equity		$5,159,372		$5,041,673
Other assets				
Bank-owned life insurance		$128,833		$125,726
Premises and equipment, net		67,634		62,458
Prepaid expenses		4,394		13,199
Accrued interest receivable		13,372		13,228
Mortgage-servicing rights		11,806		10,818
Real estate acquired in settlement of loans, net		1,488		6,050
Other		20,493		12,956
		$248,020		$244,435
Other liabilities				
Accrued expenses		$20,463		$17,103
Federal and state income taxes payable		30,249		35,408
Cashier's checks		24,183		23,478
Advance payments by borrowers		5,694		9,685
Other		21,583		32,078
		$102,172		$117,752

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

Other borrowings consisted of securities sold under agreements to repurchase and advances from the Federal Home Loan Bank (FHLB) of Seattle of $140 million and $100 million, respectively, as of September 30, 2013 and $146 million and $50 million, respectively, as of December 31, 2012.

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

(in millions)	Gross amount of recognized liabilities	Gross amount offset in the Balance Sheet	Net amount of liabilities presented in the Balance Sheet
Repurchase agreements			
September 30, 2013	$140	$—	$ 140
December 31, 2012	146	—	146

(in millions)	Net amount of liabilities presented in the Balance Sheet	Gross amount not offset in the Balance Sheet Financial instruments	Cash collateral pledged	Net amount
September 30, 2013				
Financial institution	$50	$50	$—	$—
Commercial account holders	90	90	—	—
Total	$140	$140	$—	$—
December 31, 2012				
Financial institution	$50	$50	$—	$—
Commercial account holders	96	96	—	—
Total	$146	$146	$—	$—

Investment and mortgage-related securities portfolio.

Available-for-sale securities. The book value (amortized cost), gross unrealized gains and losses, estimated fair value and gross unrealized losses (fair value and amount by duration of time in which positions have been held in a continuous loss position) for securities held in ASB's "available-for-sale" portfolio by major security type were as follows:

(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Gross unrealized losses Less than 12 months Fair value	Amount	12 months or longer Fair value	Amount
September 30, 2013								
Federal agency obligations	$99,812	$389	$(1,936)	$98,265	$29,755	$(1,936)	$—	$—
Mortgage-related securities- FNMA, FHLMC and GNMA	359,437	6,308	(7,768)	357,977	164,998	(7,620)	3,910	(148)
Municipal bonds	77,181	2,034	(193)	79,022	26,526	(193)	—	—
	$536,430	$8,731	$(9,897)	$535,264	$221,279	$(9,749)	$3,910	$(148)
December 31, 2012								
Federal agency obligations	$168,324	$3,167	$—	$171,491	$—	$—	$—	$—
Mortgage-related securities- FNMA, FHLMC and GNMA	407,175	10,412	(204)	417,383	32,269	(204)	—	—
Municipal bonds	77,993	4,491	—	82,484	—	—	—	—
	$653,492	$18,070	$(204)	$671,358	$32,269	$(204)	$—	$—

The unrealized losses on ASB's investments in mortgage-related securities and obligations issued by federal agencies were caused by interest rate movements. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because ASB does not intend to sell the securities and has determined it is more likely than not that it will not be required to sell the investments before recovery of their amortized costs basis, which may be at maturity, ASB did not consider these investments to be other-than-temporarily impaired at September 30, 2013.

The fair values of ASB's investment securities could decline if interest rates rise or spreads widen.

The following table details the contractual maturities of available-for-sale securities. All positions with variable maturities (e.g. callable debentures and mortgage-related securities) are disclosed based upon the bond's contractual maturity. Actual maturities will likely differ from these contractual maturities because borrowers have the right to prepay obligations with or without prepayment penalties.

September 30, 2013 (in thousands)	Amortized cost	Fair value
Due in one year or less	$28,120	$28,143
Due after one year through five years	37,922	38,324
Due after five years through ten years	85,760	87,192
Due after ten years	25,191	23,628
	176,993	177,287
Mortgage-related securities-FNMA,FHLMC and GNMA	359,437	357,977
Total available-for-sale securities	$536,430	$535,264

Allowance for loan losses. ASB must maintain an allowance for loan losses that is adequate to absorb estimated probable credit losses associated with its loan portfolio. The allowance for loan losses consists of an allocated portion, which estimates credit losses for specifically identified loans and pools of loans, and an unallocated portion.

12

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

(in thousands)	Residential 1-4 family	Commercial real estate	Home equity line of credit	Residential land	Commercial construction	Residential construction	Commercial loans	Consumer loans	Unallocated	Total
Three months ended September 30, 2013										
Allowance for loan losses:										
Beginning balance	$6,357	$4,117	$5,009	$2,187	$2,305	$14	$16,307	$2,399	$2,309	$41,004
Charge-offs	(106)	—	(44)	(3)	—	—	(305)	(407)	—	(865)
Recoveries	157	—	78	282	—	—	166	176	—	859
Provision	(604)	204	12	(361)	44	2	(361)	42	1,076	54
Ending balance	$5,804	$4,321	$5,055	$2,105	$2,349	$16	$15,807	$2,210	$3,385	$41,052
Three months ended September 30, 2012										
Allowance for loan losses:										
Beginning balance	$7,212	$2,078	$4,843	$3,340	$2,255	$3	$13,961	$3,797	$1,974	$39,463
Charge-offs	(964)	—	(363)	(1,093)	—	—	(1,130)	(601)	—	(4,151)
Recoveries	379	—	7	226	—	—	155	151	—	918
Provision	100	4	378	1,324	(324)	5	1,344	462	287	3,580
Ending balance	$6,727	$2,082	$4,865	$3,797	$1,931	$8	$14,330	$3,809	$2,261	$39,810
Nine months ended September 30, 2013										
Allowance for loan losses:										
Beginning balance	$6,068	$2,965	$4,493	$4,275	$2,023	$9	$15,931	$4,019	$2,202	$41,985
Charge-offs	(1,162)	—	(782)	(238)	—	—	(1,655)	(1,811)	—	(5,648)
Recoveries	1,382	—	334	782	—	—	778	486	—	3,762
Provision	(484)	1,356	1,010	(2,714)	326	7	753	(484)	1,183	953
Ending balance	$5,804	$4,321	$5,055	$2,105	$2,349	$16	$15,807	$2,210	$3,385	$41,052
Ending balance: individually evaluated for impairment	$944	$888	$—	$1,585	$—	$—	$2,679	$—	$—	$6,096

Ending balance: collectively evaluated for impairment	$4,860	$3,433	$5,055	$520	$2,349	$16	$13,128	$2,210	$3,385	$34,956
Financing Receivables:										
Ending balance	$2,015,082	$405,037	$703,210	$18,400	$51,067	$10,460	$749,733	$102,400	$—	$4,055,389
Ending balance: individually evaluated for impairment	$22,123	$4,484	$960	$12,747	$—	$—	$22,777	$19	$—	$63,110
Ending balance: collectively evaluated for impairment	$1,992,959	$400,553	$702,250	$5,653	$51,067	$10,460	$726,956	$102,381	$—	$3,992,279
Nine months ended September 30, 2012										
Allowance for loan losses:										
Beginning balance	$6,500	$1,688	$4,354	$3,795	$1,888	$4	$14,867	$3,806	$1,004	$37,906
Charge-offs	(2,476)	—	(402)	(2,340)	—	—	(2,964)	(1,853)	—	(10,035)
Recoveries	974	—	95	471	—	—	511	384	—	2,435
Provision	1,729	394	818	1,871	43	4	1,916	1,472	1,257	9,504
Ending balance	$6,727	$2,082	$4,865	$3,797	$1,931	$8	$14,330	$3,809	$2,261	$39,810
Ending balance: individually evaluated for impairment	$324	$7	$313	$2,321	$—	$—	$1,656	$—	$—	$4,621
Ending balance: collectively evaluated for impairment	$6,403	$2,075	$4,552	$1,476	$1,931	$8	$12,674	$3,809	$2,261	$35,189
Financing Receivables:										0
Ending balance	$1,899,580	$367,765	$604,279	$29,280	$42,913	$5,648	$704,100	$104,338	$—	$3,757,903
Ending balance: individually evaluated for impairment	$26,912	$2,929	$1,913	$25,146	$—	$—	$17,956	$22	$—	$74,878

Ending balance: collectively evaluated for impairment	$1,872,668	$364,836	$602,366	$4,134	$42,913	$5,648	$686,144	$104,316	$—	$3,683,025

The reversal of provision for loan losses for the 1-4 family, residential land and commercial loan portfolios in the third quarter of 2013 was due to lower loss rates as a result of improving charge-off and credit trends, as well as declining balances in the higher risk purchased mortgage and land loan portfolios. The increase in the unallocated allowance for loan losses in the third quarter of 2013 was primarily due to uncertainty over the impact of the possible U.S. debt default and the federal government shutdown in the first half of October 2013 that could affect the credit quality of the loan portfolios as individuals and businesses struggling with loan payments are pushed into delinquency or default.

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

A dual ten-point risk rating system is used to reflect the probability of default (borrower risk rating) and loss given default (transaction risk rating). The borrower risk rating addresses risk presented by the individual borrower and is based on the overall assessment of the borrower's financial and operating strength including earnings, operating cash flow, debt service capacity, asset and liability structure, competitive issues, experience and quality of management, financial reporting quality and industry/economic factors. Separately, the transaction risk rating addresses risk in the transaction and is a function of the type of collateral control exercised over the collateral, loan structure, guarantees, and other structural support or enhancements to the loan.

The numerical representation of the risk categories are:

1- Substantially risk free	6- Acceptable risk
2- Minimal risk	7- Special mention
3- Modest risk	8- Substandard
4- Better than average risk	9- Doubtful
5- Average risk	10- Loss

Grades 1 through 6 are considered pass grades. Pass exposures generally are well protected by the current net worth and paying capacity of the obligor or by the value of the asset or underlying collateral.

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

	September 30, 2013			December 31, 2012		
(in thousands)	Commercial real estate	Commercial construction	Commercial	Commercial real estate	Commercial construction	Commercial
Grade:						
Pass	$332,407	$51,067	$661,720	$314,182	$39,063	$638,854
Special mention	40,437	—	18,948	25,437	4,925	24,511
Substandard	28,403	—	65,571	29,308	—	53,538
Doubtful	3,790	—	3,494	6,750	—	4,446
Loss	—	—	—	—	—	—
Total	$405,037	$51,067	$749,733	$375,677	$43,988	$721,349

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

(in thousands)	30-59 days past due	60-89 days past due	Greater than 90 days	Total past due	Current	Total financing receivables	Recorded investment> 90 days and accruing
September 30, 2013							
Real estate loans:							
Residential 1-4 family	$3,026	$1,599	$15,060	$19,685	$1,995,397	$2,015,082	$—
Commercial real estate	—	—	3,790	3,790	401,247	405,037	—
Home equity line of credit	658	373	880	1,911	701,299	703,210	—
Residential land	684	80	5,352	6,116	12,284	18,400	1,746
Commercial construction	—	—	—	—	51,067	51,067	—
Residential construction	—	—	—	—	10,460	10,460	—
Commercial loans	1,026	166	4,105	5,297	744,436	749,733	—
Consumer loans	420	212	182	814	101,586	102,400	—
Total loans	$5,814	$2,430	$29,369	$37,613	$4,017,776	$4,055,389	$1,746
December 31, 2012							
Real estate loans:							
Residential 1-4 family	$6,353	$1,741	$24,054	$32,148	$1,834,302	$1,866,450	$—
Commercial real estate	85	—	6,750	6,835	368,842	375,677	—
Home equity line of credit	1,077	142	1,319	2,538	627,637	630,175	—
Residential land	2,851	75	7,788	10,714	15,101	25,815	—
Commercial construction	—	—	—	—	43,988	43,988	—
Residential construction	—	—	—	—	6,171	6,171	—
Commercial loans	3,052	2,814	1,098	6,964	714,385	721,349	131
Consumer loans	598	348	424	1,370	119,861	121,231	242
Total loans	$14,016	$5,120	$41,433	$60,569	$3,730,287	$3,790,856	$373

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

	September 30, 2013		December 31, 2012	
(in thousands)	Nonaccrual loans	Accruing loans 90 days or more past due	Nonaccrual loans	Accruing loans 90 days or more past due
Real estate loans:				
Residential 1-4 family	$18,908	$—	$26,721	$—
Commercial real estate	4,483	—	6,750	—
Home equity line of credit	1,948	—	2,349	—
Residential land	3,606	1,746	8,561	—
Commercial construction	—	—	—	—
Residential construction	—	—	—	—
Commercial loans	21,308	—	20,222	131
Consumer loans	519	—	284	242
Total	$50,772	$1,746	$64,887	$373

The total carrying amount and the total unpaid principal balance of impaired loans, with and without recorded allowance for loan losses and combined, were as follows:

15

(in thousands)	September 30, 2013 Recorded investment	Unpaid principal balance	Related Allowance	Three months ended September 30, 2013 Average recorded investment	Interest income recognized*	Nine months ended September 30, 2013 Average recorded investment	Interest income recognized*
With no related allowance recorded							
Real estate loans:							
Residential 1-4 family	$10,121	$13,122	$—	$9,777	$62	$12,304	$294
Commercial real estate	—	—	—	—	—	1,069	—
Home equity line of credit	523	1,068	—	526	—	606	—
Residential land	5,734	6,712	—	6,095	216	7,477	435
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial loans	6,311	8,624	—	4,941	7	4,518	8
Consumer loans	19	19	—	20	—	20	—
	22,708	29,545	—	21,359	285	25,994	737
With an allowance recorded							
Real estate loans:							
Residential 1-4 family	7,147	7,167	943	7,155	83	6,411	259
Commercial real estate	4,484	4,536	888	4,028	—	6,157	151
Home equity line of credit	—	—	—	—	—	—	—
Residential land	6,101	6,228	1,585	6,105	102	7,123	304
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial loans	16,466	17,978	2,679	16,524	67	15,606	72
Consumer loans	—	—	—	—	—	—	—
	34,198	35,909	6,095	33,812	252	35,297	786
Total							
Real estate loans:							
Residential 1-4 family	17,268	20,289	943	16,932	145	18,715	553
Commercial real estate	4,484	4,536	888	4,028	—	7,226	151
Home equity line of credit	523	1,068	—	526	—	606	—
Residential land	11,835	12,940	1,585	12,200	318	14,600	739
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial loans	22,777	26,602	2,679	21,465	74	20,124	80
Consumer loans	19	19	—	20	—	20	—
	$56,906	$65,454	$6,095	$55,171	$537	$61,291	$1,523

(in thousands)	December 31, 2012 Recorded investment	Unpaid principal balance	Related allowance	Year ended December 31, 2012 Average recorded investment	Interest income recognized*
With no related allowance recorded					
Real estate loans:					
Residential 1-4 family	$14,633	$20,247	$—	$16,688	$294
Commercial real estate	2,929	2,929	—	7,771	237
Home equity line of credit	581	1,374	—	632	1
Residential land	7,691	10,624	—	21,589	1,185
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial loans	4,265	6,994	—	24,605	986
Consumer loans	21	21	—	23	—
	30,120	42,189	—	71,308	2,703
With an allowance recorded					
Real estate loans:					
Residential 1-4 family	4,803	4,803	384	4,204	250
Commercial real estate	3,821	3,840	535	1,295	—
Home equity line of credit	—	—	—	26	—
Residential land	9,984	10,364	3,221	7,428	575
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial loans	16,033	16,912	2,659	8,429	23
Consumer loans	—	—	—	—	—
	34,641	35,919	6,799	21,382	848
Total					
Real estate loans:					
Residential 1-4 family	19,436	25,050	384	20,892	544
Commercial real estate	6,750	6,769	535	9,066	237
Home equity line of credit	581	1,374	—	658	1
Residential land	17,675	20,988	3,221	29,017	1,760
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial loans	20,298	23,906	2,659	33,034	1,009
Consumer loans	21	21	—	23	—
	$64,761	$78,108	$6,799	$92,690	$3,551

* Since loan was classified as impaired.

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

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

17

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

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

Loan modifications that occurred were as follows for the indicated periods:

	Three months ended September 30, 2013			Nine months ended September 30, 2013		
	Number of	Outstanding recorded investment		Number of	Outstanding recorded investment	
(dollars in thousands)	contracts	Pre-modification	Post-modification	contracts	Pre-modification	Post-modification
Troubled debt restructurings						
Real estate loans:						
Residential 1-4 family	14	$ 2,864	$ 2,874	32	$ 8,631	$ 8,712
Commercial real estate	—	—	—	—	—	—
Home equity line of credit	—	—	—	4	462	215
Residential land	9	2,943	2,943	16	4,983	4,974
Commercial loans	3	2,076	2,076	6	2,790	2,790
Consumer loans	—	—	—	—	—	—
	26	$ 7,883	$ 7,893	58	$ 16,866	$ 16,691

	Three months ended September 30, 2012			Nine months ended September 30, 2012		
	Number of	Outstanding recorded investment		Number of	Outstanding recorded investment	
(dollars in thousands)	contracts	Pre-modification	Post-modification	contracts	Pre-modification	Post-modification
Troubled debt restructurings						
Real estate loans:						
Residential 1-4 family	4	$ 1,415	$ 1,332	26	$ 5,884	$ 5,614
Commercial real estate	—	—	—	—	—	—
Home equity line of credit	—	—	—	—	—	—
Residential land	6	1,168	1,001	21	4,676	4,022
Commercial loans	4	517	517	18	2,546	2,546
Consumer loans	—	—	—	—	—	—
	14	$ 3,100	$ 2,850	65	$ 13,106	$ 12,182

Loans modified in TDRs that experienced a payment default of 90 days or more in 2013 and 2012, and for which the payment default occurred within one year of the modification, were as follows:

18

(dollars in thousands)	Three months ended September 30, 2013		Nine months ended September 30, 2013	
	Number of contracts	Recorded investment	Number of contracts	Recorded investment
Troubled debt restructurings that subsequently defaulted				
Real estate loans:				
Residential 1-4 family	—	$ —	—	$ —
Commercial real estate	—	—	—	—
Home equity line of credit	1	67	1	67
Residential land	—	—	—	—
Commercial loans	3	669	3	669
Consumer loans	—	—	—	—
	4	$ 736	4	$ 736

(dollars in thousands)	Three months ended September 30, 2012		Nine months ended September 30, 2012	
	Number of contracts	Recorded investment	Number of contracts	Recorded investment
Troubled debt restructurings that subsequently defaulted				
Real estate loans:				
Residential 1-4 family	—	$ —	—	$ —
Commercial real estate	—	—	—	—
Home equity line of credit	—	—	—	—
Residential land	—	—	—	—
Commercial loans	—	—	1	488
Consumer loans	—	—	—	—
	—	$ —	1	$ 488

If loans modified in a TDR subsequently default, ASB evaluates the loan for further impairment. Based on its evaluation, adjustments may be made in the allocation of the allowance or partial charge-offs may be taken to further write-down the carrying value of the loan. Commitments to lend additional funds to borrowers whose loan terms have been impaired or modified in TDRs totaled $0.3 million as of September 30, 2013.

Litigation. In March 2011, a purported class action lawsuit was filed in the First Circuit Court of the State of Hawaii by a customer who claimed that ASB had improperly charged overdraft fees on debit card transactions. The lawsuit is still in its preliminary stage, thus, the probable outcome and range of reasonably possible loss are not determinable at this time.

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

5 · Retirement benefits

Defined benefit pension and other postretirement benefit plans information. For the first nine months of 2013, the Company contributed $62 million (primarily by the Utilities) to its pension and other postretirement benefit plans, compared to $64 million (primarily by the Utilities) in the first nine months of 2012. The Company's current estimate of contributions to its pension and other postretirement benefit plans in 2013 is $83 million ($81 million by the Utilities, $2 million by HEI and nil by ASB), compared to $78 million ($63 million by the Utilities, $2 million by HEI and $13 million by ASB) in 2012. In addition, the Company expects to pay directly $2 million ($1 million each by the Utilities and HEI) of benefits in 2013, compared to $1 million paid in 2012.

On July 6, 2012, President Obama signed the Moving Ahead for Progress in the 21st Century Act (MAP-21), which included provisions related to the funding and administration of pension plans. This law does not affect the Company's accounting for pension benefits; therefore, the net periodic benefit costs disclosed for the plans were not affected. The Company elected to apply MAP-21 for 2012, which improved the plans' Adjusted Funding Target Attainment Percentage (AFTAP) for funding and benefit distribution purposes and thereby reduced the 2012 minimum funding requirement and lifted the restrictions on accelerated distribution options (which restrictions were in effect from April 1, 2011 to September 30, 2012) for HEI and Hawaiian Electric and its subsidiaries. The effects of MAP-21 are expected to cause the minimum required funding under the Employee Retirement Income Security Act of 1974, as amended (ERISA) to be less than the net periodic cost for 2013 and 2014; therefore, to satisfy the requirements of the Utilities pension and other postretirement benefits (OPEB) tracking mechanisms, the Utilities expect to contribute the net periodic cost for these years.

The Pension Protection Act provides that if a pension plan's funded status falls below certain levels, more conservative assumptions must be used to value obligations under the pension plan. The HEI Retirement Plan fell below these thresholds in 2011 and the minimum required contribution for 2012 incorporated the more conservative assumptions required. However, the HEI Retirement Plan met the threshold requirements in each of 2012 and 2013 so that the more conservative assumptions do not apply for either the 2013 or 2014 valuation of plan liabilities for purposes of calculating the minimum required contribution. Other factors could cause changes to the required contribution levels.

The components of net periodic benefit cost for consolidated HEI were as follows:

	Three months ended September 30				Nine months ended September 30			
	Pension benefits		Other benefits		Pension benefits		Other benefits	
(in thousands)	2013	2012	2013	2012	2013	2012	2013	2012
Service cost	$14,097	$10,816	$1,077	$1,054	$42,307	$32,404	$3,229	$3,158
Interest cost	16,187	16,868	1,891	2,252	48,600	50,612	5,677	6,756
Expected return on plan assets	(18,134)	(17,796)	(2,531)	(2,579)	(54,401)	(53,388)	(7,614)	(7,757)
Amortization of net transition obligation	—	1	—	—	—	1	—	—
Amortization of net prior service gain	(24)	(81)	(448)	(448)	(73)	(244)	(1,345)	(1,345)
Amortization of net actuarial loss	9,560	6,425	398	373	28,878	19,251	1,203	1,125
Net periodic benefit cost	21,686	16,233	387	652	65,311	48,636	1,150	1,937
Impact of PUC D&Os	(9,257)	(3,460)	(332)	(552)	(28,847)	(12,294)	(1,018)	(1,648)
Net periodic benefit cost (adjusted for impact of PUC D&Os)	$12,429	$12,773	$55	$100	$36,464	$36,342	$132	$289

Consolidated HEI recorded retirement benefits expense of $24 million and $27 million in the first nine months of 2013 and 2012, respectively, and charged the remaining amounts primarily to electric utility plant.

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

Defined contribution plans information. For the first nine months of 2013 and 2012, the Company's expense for its defined contribution pension plans under the Hawaiian Electric Industries Retirement Savings Plan (HEIRSP) and the ASB 401(k) Plan was $3.1 million and $2.7 million, respectively, and cash contributions were $3.7 million and $3.2 million, respectively.

6 · Share-based compensation

Under the 2010 Equity and Incentive Plan (EIP), HEI can issue shares of common stock as incentive compensation to selected employees in the form of stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares and other share-based and cash-based awards.

As of September 30, 2013, there were 3.6 million shares remaining available for future issuance under the EIP of which an estimated 2.6 million shares could be issued upon the vesting of outstanding restricted stock units and the achievement of performance goals under long-term incentive plans (based on the assumption that long-term incentive plan (LTIP) awards are achieved at maximum levels).

Under the 1987 Stock Option and Incentive Plan, as amended (SOIP), there are possible future issuances upon the exercise of outstanding stock appreciation rights (SARs) and dividend equivalents; however, based on the market price of shares on September 30, 2013, the SARS had no intrinsic value. As of May 11, 2010 (when the EIP became effective), no new awards may be granted under the SOIP. After the shares of common stock for the outstanding SOIP grants and awards are issued or such grants and awards expire, the remaining shares registered under the SOIP will be deregistered and delisted.

Under the 2011 Nonemployee Director Stock Plan (2011 Director Plan), HEI can issue shares of common stock as compensation to nonemployee directors. As of September 30, 2013, there were 202,460 shares remaining available for future issuance.

The Company's share-based compensation expense and related income tax benefit were as follows:

	Three months ended September 30		Nine months ended September 30	
(in millions)	2013	2012	2013	2012
Share-based compensation expense (1)	$2.5	$1.4	$6.0	$5.4
Income tax benefit	0.9	0.5	2.2	1.9

(1) The Company has not capitalized any share-based compensation cost.

Stock awards. On June 28, 2013 and June 29, 2012, HEI granted 33,184 shares and 29,448 shares, respectively, with a fair value of $0.8 million and $0.8 million and related tax benefits of $0.3 million and $0.3 million, respectively, to HEI nonemployee directors under the 2011 Director Plan. The number of shares issued to each HEI nonemployee director is determined based on the closing price of HEI Common Stock on grant date.

Nonqualified stock options. As of December 31, 2012, nonqualified stock options (NQSOs) outstanding totaled 14,000 (representing the same number of underlying shares), with a weighted-average exercise price of $20.49. As of September 30, 2013, there were no NQSOs outstanding.

NQSO activity and statistics were as follows:

	Three months ended September 30		Nine months ended September 30	
(dollars in thousands, except prices)	2013	2012	2013	2012
Shares exercised	—	8,000	14,000	41,500
Weighted-average exercise price	$—	$20.49	$20.49	$21.06
Cash received from exercise	$—	$164	$287	$874
Intrinsic value of shares exercised (1)	$—	$89	$128	$354
Tax benefit realized for the deduction of exercises	$—	$35	$50	$138

(1) Intrinsic value is the amount by which the fair market value of the underlying stock and the related dividend equivalents exceeds the exercise price of the option.

Stock appreciation rights. Information about HEI's SARs was as follows:

September 30, 2013		Outstanding & Exercisable (Vested)		
Year of grant	Range of exercise prices	Number of shares underlying SARs	Weighted-average remaining contractual life	Weighted-average exercise price
2004	$26.02	62,000	0.6	$26.02
2005	26.18	102,000	1.5	26.18
	$26.02-26.18	164,000	1.2	$26.12

As of December 31, 2012, the shares underlying SARs outstanding totaled 164,000, with a weighted-average exercise price of $26.12. As of September 30, 2013, all SARs outstanding were exercisable and had no aggregate intrinsic value.

SARs activity and statistics were as follows:

	Three months ended September 30		Nine months ended September 30	
(dollars in thousands, except prices)	2013	2012	2013	2012
Shares underlying SARS exercised	—	2,000	—	114,000
Weighted-average price of shares exercised	—	$26.18	—	$26.17
Intrinsic value of shares exercised (1)	—	$3	—	$197
Tax benefit realized for the deduction of exercises	—	$1	—	$77

(1) Intrinsic value is the amount by which the fair market value of the underlying stock and the related dividend equivalent rights exceeds the exercise price of the right.

Restricted shares and restricted stock awards. Information about HEI's grants of restricted shares and restricted stock awards was as follows:

	Three months ended September 30				Nine months ended September 30			
	2013		2012		2013		2012	
	Shares	(1)	Shares	(1)	Shares	(1)	Shares	(1)
Outstanding, beginning of period	9,005	$22.21	14,807	$22.45	9,005	$22.21	46,807	$24.45
Granted	—	—	—	—	—	—	—	—
Vested	—	—	(1,000)	24.68	—	—	(33,000)	25.35
Forfeited	—	—	—	—	—	—	—	—
Outstanding, end of period	9,005	$22.21	13,807	$22.29	9,005	$22.21	13,807	$22.29

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

As of September 30, 2013, there was $0.1 million of total unrecognized compensation cost related to nonvested restricted shares and restricted stock awards. The cost is expected to be recognized over a weighted-average period of 1.2 years.

For the first nine months of 2012, total restricted stock vested had a grant-date fair value of $0.8 million and the tax benefits realized for tax deductions related to restricted stock awards were $0.2 million.

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

	Three months ended September 30				Nine months ended September 30			
	2013		2012		2013		2012	
	Shares	(1)	Shares	(1)	Shares	(1)	Shares	(1)
Outstanding, beginning of period	300,313	$25.15	319,071	$22.81	315,094	$22.82	247,286	$21.80
Granted	4,000	26.48	—	—	111,231	26.88	94,846	26.00
Vested	(2,500)	22.31	(2,500)	22.31	(116,544)	20.39	(23,997)	24.69
Forfeited	(11,321)	25.88	(3,346)	24.63	(19,289)	25.62	(4,910)	24.92
Outstanding, end of period	290,492	$25.16	313,225	$22.80	290,492	$25.16	313,225	$22.80
	$ millions		$ millions		$ millions		$ millions	
Total weighted-average grant-date fair value of shares granted	$0.1		$—		$3.0		$2.5	

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

As of September 30, 2013, there was $4.2 million of total unrecognized compensation cost related to the nonvested restricted stock units. The cost is expected to be recognized over a weighted-average period of 2.5 years.

For the first nine months of 2013 and 2012, total restricted stock units that vested and related dividends had a grant-date fair value of $3.6 million and $0.7 million, respectively, and the related tax benefits were $1.0 million and $0.2 million, respectively.

LTIP payable in stock. The 2011-2013 LTIP, 2012-2014 LTIP and the 2013-2015 LTIP provide for performance awards under the EIP of shares of HEI common stock based on the satisfaction of performance goals and service conditions. The number of shares of HEI common stock that may be awarded is fixed on the date the grants are made subject to the achievement of specified performance levels. The potential payout varies from 0% to 200% of the number of target shares depending on achievement of the goals. The LTIP performance goals for the LTIP periods include awards with a market goal based on total return to shareholders (TRS) of HEI stock as a percentile to the Edison Electric Institute Index over the applicable three-year period. In addition, the 2011-2013 LTIP, the 2012-2014 LTIP and the 2013-2015 LTIP have performance goals related to levels of HEI consolidated net income, HEI consolidated return on common equity (ROACE), Hawaiian Electric consolidated net income, Hawaiian Electric consolidated ROACE, ASB net income and ASB return on assets — all based on the applicable three-year averages.

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

	Three months ended September 30				Nine months ended September 30			
	2013		2012		2013		2012	
	Shares	(1)	Shares	(1)	Shares	(1)	Shares	(1)
Outstanding, beginning of period	235,064	$32.87	239,407	$29.12	239,256	$29.12	197,385	$25.94
Granted	1,505	32.69	1,723	30.71	91,038	32.69	80,647	30.71
Vested (settled or lapsed)	—	—	—	—	(87,753)	22.45	(35,397)	14.85
Forfeited	(4,442)	32.40	(2,450)	31.09	(10,414)	32.72	(3,955)	30.82
Outstanding, end of period	232,127	$32.88	238,680	$29.11	232,127	$32.88	238,680	$29.11

	$ millions	$ millions	$ millions	$ millions
Total weighted-average grant-date fair value of shares granted	$—	$0.1	$3.0	$2.5

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

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

	2013	2012
Risk-free interest rate	0.38%	0.33%
Expected life in years	3	3
Expected volatility	19.4%	25.3%
Range of expected volatility for Peer Group	12.4% to 25.3%	15.5% to 34.5%
Grant date fair value (per share)	$32.69	$30.71

For the nine months ended September 30, 2013 and 2012, total vested LTIP awards linked to TRS and related dividends had a fair value of $2.2 million and $0.6 million, respectively, and the related tax benefits were $0.9 million and $0.2 million, respectively. Of the 87,753 shares vested and granted (at target level based on the satisfaction of TRS performance) for the 2010-2012 LTIP, the HEI Compensation Committee approved settlement of 70,205 shares of HEI common stock in February 2013 (17,548 of the vested shares lapsed).

As of September 30, 2013, there was $2.9 million of total unrecognized compensation cost related to the nonvested performance awards payable in shares linked to TRS. The cost is expected to be recognized over a weighted-average period of 1.3 years.

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

	Three months ended September 30				Nine months ended September 30			
	2013		2012		2013		2012	
	Shares	(1)	Shares	(1)	Shares	(1)	Shares	(1)
Outstanding, beginning of period	304,473	$26.12	295,184	$23.95	247,175	$25.04	182,498	$22.63
Granted	1,504	27.11	4,148	27.30	120,399	26.89	122,852	26.05
Vested and settled	—	—	—	—	(18,280)	18.95	—	—
Cancelled	—	—	(17,911)	18.95	(37,346)	24.96	(17,911)	18.95
Forfeited	(4,881)	26.53	(3,676)	24.78	(10,852)	26.20	(9,694)	24.44
Outstanding, end of period	301,096	$26.12	277,745	$24.31	301,096	$26.12	277,745	$24.31
	$ millions		$ millions		$ millions		$ millions	
Total weighted-average grant-date fair value of shares granted (at target performance levels)	$—		$0.1		$3.2		$3.2	

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

For the nine months ended September 30, 2013, total vested LTIP awards linked to other performance conditions and related dividends had a fair value of $0.6 million and the related tax benefits were $0.2 million.

As of September 30, 2013, there was $3.7 million of total unrecognized compensation cost related to the nonvested shares linked to performance conditions other than TRS. The cost is expected to be recognized over a weighted-average period of 1.4 years.

24

7 · Earnings per share and shareholders' equity

Earnings per share. Under the two-class method of computing earnings per share (EPS), EPS was comprised as follows for both participating securities and unrestricted common stock:

	Three months ended September 30			Nine months ended September 30		
	2013		2012	2013		2012
	Basic	Diluted	Basic and diluted	Basic	Diluted	Basic and diluted
Distributed earnings	$0.31	0.31	$0.31	$0.93	$0.93	$0.93
Undistributed earnings	0.18	0.17	0.18	0.31	0.30	0.36
	$0.49	0.48	$0.49	$1.24	$1.23	$1.29

As of September 30, 2013, the antidilutive effects of SARs of 164,000 shares of HEI common stock for which the exercise prices were greater than the closing market price of HEI's common stock were not included in the computation of dilutive EPS. As of September 30, 2012, there were no shares that were antidilutive.

Shareholders' equity.

Equity forward transaction. On March 19, 2013, HEI entered into an equity forward transaction in connection with a public offering on that date of 6.1 million shares of HEI common stock at $26.75 per share. On March 19, 2013, HEI common stock closed at $27.01 per share. On March 20, 2013, the underwriters exercised their over-allotment option in full and HEI entered into an equity forward transaction in connection with the resulting additional 0.9 million shares of HEI common stock.

The use of an equity forward transaction substantially eliminates future equity market price risk by fixing a common equity offering sales price under the then existing market conditions, while mitigating immediate share dilution resulting from the offering by postponing the actual issuance of common stock until funds are needed in accordance with the Company's capital investment plans. Pursuant to the terms of these transactions, a forward counterparty borrowed 7 million shares of HEI's common stock from third parties and sold them to a group of underwriters for $26.75 per share, less an underwriting discount equal to $1.00312 per share. Under the terms of the equity forward transactions, to the extent that the transactions are physically settled, HEI would be required to issue and deliver shares of HEI common stock to the forward counterparty at the then applicable forward sale price. The forward sale price was initially determined to be $25.74688 per share at the time the equity forward transactions were entered into, and the amount of cash to be received by HEI upon physical settlement of the equity forward is subject to certain adjustments in accordance with the terms of the equity forward transactions. The equity forward transactions must be settled fully by March 25, 2015. Except in specified circumstances or events that would require physical settlement, HEI is able to elect to settle the equity forward transactions by means of physical, cash or net share settlement, in whole or in part, at any time on or prior to March 25, 2015.

The equity forward transactions had no initial fair value since they were entered into at the then market price of the common stock. HEI will not receive any proceeds from the sale of common stock until the equity forward transactions are settled, and at that time HEI will record the proceeds, if any, in equity. HEI concluded that the equity forward transactions were equity instruments based on the accounting guidance in ASC 480 and ASC 815 and that they qualified for an exception from derivative accounting under ASC 815 because the forward sale transactions were indexed to its own stock. HEI anticipates settling the equity forward transactions through physical settlement.

At September 30, 2013, the equity forward transactions could have been settled with physical delivery of the shares to the forward counterparty in exchange for cash of $175 million. At September 30, 2013, the equity forward transactions could also have been cash settled, with delivery of cash of approximately $6 million (which amount includes $7 million of underwriting discount) to the forward counterparty, or net share settled with delivery of approximately 212,000 shares of common stock to the forward counterparty.

Prior to their settlement, the equity forward transactions will be reflected in HEI's diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of HEI's common stock used in calculating diluted earnings per share for a reporting period would be increased by the number of shares, if any, that would be issued upon physical settlement of the equity forward transactions less the number of shares that could be purchased by HEI in the market (based on the average market price during that reporting period) using the proceeds receivable upon settlement of the equity forward transactions (based on the adjusted forward sale price at the end of that reporting period). The excess number of shares is weighted for the portion of the reporting period in which the equity forward transactions are outstanding.

Accordingly, before physical or net share settlement of the equity forward transactions, and subject to the occurrence of certain events, HEI anticipates that the forward sale agreement and additional forward sale agreement will have a dilutive effect on HEI's earnings per share only during periods when the applicable average market price per share of HEI's common stock is above the per share adjusted forward sale price, as described above. However, if HEI decides to physically or net share settle the forward sale agreement and additional forward sale agreement, any delivery by HEI of shares upon settlement could result in dilution to HEI's earnings per share.

For the nine months ended September 30, 2013, the equity forward transactions did not have a material dilutive effect on HEI's earnings per share.

Accumulated other comprehensive income. Reclassifications out of accumulated other comprehensive income/(loss) (AOCI) were as follows:

	Amount reclassified from AOCI				
	Three months ended September 30		Nine months ended September 30		
(in thousands)	2013	2012	2013	2012	Affected line item in the Statement of Income
Net realized gains on securities	$—	$—	$(738)	$(81)	Revenues-bank (net gains on sales of securities)
Derivatives qualified as cash flow hedges					
Interest rate contracts (settled in 2011)	59	59	177	177	Interest expense
Retirement benefit plan items					
Amortization of transition obligation, prior service credit and net losses recognized during the period in net periodic benefit cost	5,789	3,826	17,490	11,467	See Note 5 for additional details
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets	(5,156)	(3,342)	(15,468)	(10,026)	See Note 5 for additional details
Total reclassifications	$692	$543	$1,461	$1,537	

8 · Commitments and contingencies

See Note 4, "Bank subsidiary," above and Note 5, "Commitments and contingencies," of Hawaiian Electric's "Notes to Consolidated Financial Statements," below.

9 · Fair value measurements

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

The Company groups its financial assets measured at fair value in three levels outlined as follows:

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

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

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Company used the following methods and assumptions to estimate the fair value of each applicable class of financial instruments for which it is practicable to estimate that value:

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

Investment and mortgage-related securities. To determine the fair value of investment securities held in ASB's available-for-sale portfolio, independent third-party vendor or broker pricing is used on an unadjusted basis. Prices for investments and mortgage-related securities are based on observable inputs, including historical trading levels or sector yields, using market-based valuation techniques. The third party pricing service uses applications, models and pricing matrices that correlate security prices to benchmark securities which are adjusted for various inputs. Inputs include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark security bids and offers, TBA (to be announced) prices, monthly payment information, and reference data including market research. The pricing service may prioritize inputs differently on any given day for any security, and not all inputs are available for use in the evaluation process on any given day or for each security. The pricing vendor corroborates its finding on an on-going basis by monitoring market activity and events.

Third party pricing services provide security prices in good faith using rigorous methodologies; however, they do not warrant or guarantee the adequacy or accuracy of their information. Therefore, ASB utilizes a separate third party pricing vendor to corroborate security pricing of the first pricing vendor. If the pricing differential between the two pricing sources exceeds an established threshold, a pricing inquiry will be sent to both vendors or to an independent broker to determine a price that can be supported based on observable inputs found in the market. Such challenges to pricing are required infrequently and are generally resolved using additional security-specific information that was not available to a specific vendor.

Loans receivable. The estimated fair value of loans receivable is determined based on characteristics such as loan category, repricing features and remaining maturity, and includes prepayment estimates.

For residential real estate loans, fair values were estimated by discounting estimated cash flows using discount rates based on current industry pricing for loans with similar contractual characteristics and remaining maturity.

For other types of loans, fair values were estimated by discounting contractual cash flows using discount rates that reflect current industry pricing for loans with similar characteristics and remaining maturity. Where industry pricing is not available, discount rates are based on ASB's current pricing for loans with similar characteristics and remaining maturity.

The fair value of all loans was adjusted to reflect current assessments of loan collectability. Also see "Fair value measurements on a nonrecurring basis" below.

Deposit liabilities. The fair value of savings, negotiable orders of withdrawal, demand and money market deposits was the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit was estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

Other bank borrowings. Fair value was estimated by discounting the future cash flows using the current rates available for borrowings with similar credit terms and remaining maturities.

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

Derivative financial instruments. See “Fair value measurements on a recurring basis” below.

Off-balance sheet financial instruments. The fair value of loans serviced for others was calculated by discounting expected net income streams using discount rates that reflect industry pricing for similar assets. Expected net income streams were estimated based on industry assumptions regarding prepayment speeds and income and expenses associated with servicing residential mortgage loans for others. The fair value of commitments to originate loans was estimated based on the change in current primary market prices of new commitments. Since lines of credit can expire without being drawn and customers are under no obligation to utilize the lines, no fair value was assigned to unused lines of credit. The fair value of letters of credit was estimated based on the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements.

The estimated fair values of certain of the Company’s financial instruments were as follows:

(in thousands)	Carrying or notional amount	Estimated fair value Level 1	Level 2	Level 3	Total
September 30, 2013					
Financial assets					
Money market funds	$10	$—	$10	$—	$10
Available-for-sale investment and mortgage-related securities	535,264	—	535,264	—	535,264
Investment in stock of Federal Home Loan Bank of Seattle	93,413	—	93,413	—	93,413
Loans receivable, net	4,010,961	—	—	4,149,137	4,149,137
Derivative assets	24,196	—	558	—	558
Financial liabilities					0
Deposit liabilities	4,310,842	—	4,313,560	—	4,313,560
Short-term borrowings—other than bank	131,341	—	131,341	—	131,341
Other bank borrowings	239,612	—	252,230	—	252,230
Long-term debt, net—other than bank	1,422,880	—	1,431,434	—	1,431,434
Derivative liabilities	22,185	202	73	—	275
December 31, 2012					
Financial assets					
Money market funds	$10	$—	$10	$—	$10
Available-for-sale investment and mortgage-related securities	671,358	—	671,358	—	671,358
Investment in stock of Federal Home Loan Bank of Seattle	96,022	—	96,022	—	96,022
Loans receivable, net	3,763,238	—	—	3,957,752	3,957,752
Financial liabilities					0
Deposit liabilities	4,229,916	—	4,235,527	—	4,235,527
Short-term borrowings—other than bank	83,693	—	83,693	—	83,693
Other bank borrowings	195,926	—	212,163	—	212,163
Long-term debt, net—other than bank	1,422,872	—	1,481,004	—	1,481,004

As of September 30, 2013 and December 31, 2012, loan commitments and unused lines and letters of credit issued by ASB had notional amounts of $1.6 billion and $1.5 billion, respectively, and their estimated fair value on such dates were $0.6 million and $1.2 million, respectively. As of September 30, 2013 and December 31, 2012, loans serviced by ASB for others had