HAWAIIAN ELECTRIC CO INC
Form 10-Q
August 03, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2012

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 Registrant Hawaiian Electric Industries, Inc. (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. Yes x No o

Indicate by check mark whether Registrant Hawaiian Electric Company, Inc. (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. Yes x No o

Indicate by check mark whether Registrant Hawaiian Electric Industries, Inc. 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). Yes x No o

Indicate by check mark whether Registrant Hawaiian Electric Company, Inc. 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). Yes x No o

Indicate by check mark whether Registrant Hawaiian Electric Industries, Inc. is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate by check mark whether Registrant Hawaiian Electric Company, Inc. is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class of Common Stock	Outstanding July 23, 2012

Hawaiian Electric Industries, Inc. (Without Par Value)	97,082,085 Shares
Hawaiian Electric Company, Inc. ($6-2/3 Par Value)	14,233,723 Shares (not publicly traded)

Indicate by check mark whether Registrant Hawaiian Electric Industries, Inc. 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.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether Registrant Hawaiian Electric Company, Inc. 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.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company o

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Hawaiian Electric Industries, Inc. and Subsidiaries

Hawaiian Electric Company, Inc. and Subsidiaries

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GLOSSARY OF TERMS

Terms	Definitions
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income
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.
CIP CT-1	Campbell Industrial Park 110 MW combustion turbine No. 1
Company	Hawaiian Electric Industries, Inc. and its direct and indirect subsidiaries, including, without limitation, Hawaiian Electric Company, Inc. and its subsidiaries (listed under HECO); 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 HECO, 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
EVE	Economic value of equity
Exchange Act	Securities Exchange Act of 1934
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
FSS	Forward Starting Swaps

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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
HECO	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 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
HELCO	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
Kalaeloa	Kalaeloa Partners, L.P.
KW	Kilowatt
KWH	Kilowatthour
LTIP	Long-term incentive plan
MECO	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.
VIE	Variable interest entity

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FORWARD-LOOKING STATEMENTS

This report and other presentations made by Hawaiian Electric Industries, Inc. (HEI) and Hawaiian Electric Company, Inc. (HECO) 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. I 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, the implications and potential impacts of U.S. and foreign capital and credit market conditions and federal and state responses to those conditions, and the potential impacts of global developments (including 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);

- weather and natural disasters (e.g., hurricanes, earthquakes, tsunamis, lightning strikes and the potential effects of global warming, such as more severe storms and rising sea levels), including their impact on Company operations and the economy (e.g., the effect of the March 2011 natural disasters in Japan on its economy and tourism in Hawaii);

- 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 pension and other retirement plan assets and 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), revenue decoupling 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 like the state, independent power producers (IPPs) and developers; potential changes in political support for the HCEI; and uncertainties surrounding wind power, the proposed undersea cables, biofuels, environmental assessments and the impacts of implementation of the HCEI on future costs of electricity);

- 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;

- the risk to generation reliability when generation peak reserve margins on Oahu are strained;

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

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- 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 fuel supply and collective bargaining agreements;

- new technological developments that could affect the operations and prospects of HEI and its subsidiaries (including HECO and its subsidiaries and ASB) or their competitors;

- cyber security risks and the potential for cyber incidents, including potential incidents at HEI, ASB and HECO 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 changes in laws, rules and regulations applicable to HEI, HECO, ASB and their subsidiaries (including changes in taxation, increases in capital requirements, regulatory changes resulting from the HCEI, environmental laws and regulations, 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 and 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);

- ability 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, HECO, 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 HECO 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, HECO, 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 HECO 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, HECO, 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.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Statements of Income (unaudited)

(in thousands, except per share amounts)	Three months ended June 30 2012	2011	Six months ended June 30 2012	2011
Revenues				
Electric utility	$ 789,552	$ 728,738	$ 1,539,162	$ 1,374,073
Bank	64,721	66,318	129,973	131,631
Other	(5)	(737)	(7)	(752)
Total revenues	**854,268**	**794,319**	**1,669,128**	**1,504,952**
Expenses				
Electric utility	728,056	686,220	1,420,412	1,286,347
Bank	42,847	42,498	85,187	86,057
Other	3,959	1,940	8,307	5,512
Total expenses	**774,862**	**730,658**	**1,513,906**	**1,377,916**
Operating income (loss)				
Electric utility	61,496	42,518	118,750	87,726
Bank	21,874	23,820	44,786	45,574
Other	(3,964)	(2,677)	(8,314)	(6,264)
Total operating income	**79,406**	**63,661**	**155,222**	**127,036**
Interest expense other than on deposit liabilities and other bank borrowings	(20,199)	(24,177)	(38,738)	(44,317)
Allowance for borrowed funds used during construction	893	553	1,763	1,073
Allowance for equity funds used during construction	1,997	1,317	3,937	2,561
Income before income taxes	**62,097**	**41,354**	**122,184**	**86,353**
Income taxes	22,824	13,742	44,122	29,806
Net income	**39,273**	**27,612**	**78,062**	**56,547**
Preferred stock dividends of subsidiaries	473	473	946	946
Net income for common stock	**$ 38,800**	**$ 27,139**	**$ 77,116**	**$ 55,601**
Basic earnings per common share	$ 0.40	$ 0.28	$ 0.80	$ 0.58
Diluted earnings per common share	$ 0.40	$ 0.28	$ 0.80	$ 0.58
Dividends per common share	$ 0.31	$ 0.31	$ 0.62	$ 0.62
Weighted-average number of common shares outstanding	96,693	95,393	96,430	95,107
Dilutive effect of share-based compensation	286	162	389	287
Adjusted weighted-average shares	96,979	95,555	96,819	95,394

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

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Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (unaudited)

(in thousands)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Net income for common stock	$ 38,800	$ 27,139	$ 77,116	$ 55,601
Other comprehensive income (loss), net of taxes:				
Net unrealized gains on securities:				
Net unrealized gains on securities arising during the period, net of taxes of $721 and $2,755 for the three months ended June 30, 2012 and 2011 and $572 and $2,341 for the six months ended June 30, 2012 and 2011, respectively	1,093	4,061	867	3,435
Less: reclassification adjustment for net realized gains included in net income, net of taxes of $53 and $2 for the three months ended June 30, 2012 and 2011 and $53 and $2 for the six months ended June 30, 2012 and 2011, respectively	(81)	(3)	(81)	(3)
Derivatives qualified as cash flow hedges:				
Net unrealized holding gains (losses) arising during the period, net of taxes of $3 and $9 for the three and six months ended June 30, 2011, respectively		6		(3)
Less: reclassification adjustment to net income, net of tax benefits of $38 and $38 for the three months ended June 30, 2012 and 2011 and $75 and $41 for the six months ended June 30, 2012 and 2011, respectively	59	59	118	64
Retirement benefit plans:				
Less: amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of tax benefits of $2,405 and $1,477 for the three months ended June 30, 2012 and 2011 and $4,878 and $2,108 for the six months ended June 30, 2012 and 2011, respectively	3,768	2,449	7,641	3,488
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of $2,095 and $1,370 for the three months ended June 30, 2012 and 2011 and $4,257 and $2,801 for the six months ended June 30, 2012 and 2011, respectively	(3,289)	(2,105)	(6,684)	(4,352)
Other comprehensive income, net of taxes	1,550	4,467	1,861	2,629
Comprehensive income attributable to common shareholders	$ 40,350	$ 31,606	$ 78,977	$ 58,230

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

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Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Balance Sheets (unaudited)

(dollars in thousands)	June 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 207,549	$ 270,265
Accounts receivable and unbilled revenues, net	386,750	344,322
Available-for-sale investment and mortgage-related securities	639,112	624,331
Investment in stock of Federal Home Loan Bank of Seattle	97,764	97,764
Loans receivable held for investment, net	3,695,474	3,642,818
Loans held for sale, at lower of cost or fair value	11,915	9,601
Property, plant and equipment, net of accumulated depreciation of $2,086,098 in 2012 and $2,049,821 in 2011	3,436,021	3,334,501
Regulatory assets	698,448	669,389
Other	566,734	519,296
Goodwill	82,190	82,190
Total assets	$ 9,821,957	$ 9,594,477
Liabilities and shareholders equity		
Liabilities		
Accounts payable	$ 231,871	$ 216,176
Interest and dividends payable	24,897	25,041
Deposit liabilities	4,136,741	4,070,032
Short-term borrowings other than bank	96,240	68,821
Other bank borrowings	218,673	233,229
Long-term debt, net other than bank	1,429,653	1,340,070
Deferred income taxes	396,806	354,051
Regulatory liabilities	317,958	315,466
Contributions in aid of construction	381,206	356,203
Retirement benefits liability	497,687	530,410
Other	480,156	521,979
Total liabilities	8,211,888	8,031,478
Preferred stock of subsidiaries - not subject to mandatory redemption	34,293	34,293
Commitments and contingencies (Notes 3 and 4)		
Shareholders equity		
Preferred stock, no par value, authorized 10,000,000 shares; issued: none		
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding: 97,023,148 shares in 2012 and 96,038,328 shares in 2011	1,377,426	1,349,446
Retained earnings	215,626	198,397
Accumulated other comprehensive loss, net of tax benefits	(17,276)	(19,137)
Total shareholders equity	1,575,776	1,528,706
Total liabilities and shareholders equity	$ 9,821,957	$ 9,594,477

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

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Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Statement of Changes in Shareholders Equity (unaudited)

(in thousands, except per share amounts)	Common stock Shares	Common stock Amount	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2011	**96,038**	**$ 1,349,446**	**$ 198,397**	**$ (19,137)**	**$ 1,528,706**
Net income for common stock			77,116		77,116
Other comprehensive income, net of tax benefits				1,861	1,861
Issuance of common stock, net	985	27,980			27,980
Dividend equivalents paid on equity-classified awards			(96)		(96)
Common stock dividends ($0.62 per share)			(59,791)		(59,791)
Balance, June 30, 2012	**97,023**	**$ 1,377,426**	**$ 215,626**	**$ (17,276)**	**$ 1,575,776**
Balance, December 31, 2010	**94,691**	**$ 1,314,199**	**$ 178,667**	**$ (12,472)**	**$ 1,480,394**
Net income for common stock			55,601		55,601
Other comprehensive income, net of taxes				2,629	2,629
Issuance of common stock, net	1,162	29,338			29,338
Common stock dividends ($0.62 per share)			(58,998)		(58,998)
Balance, June 30, 2011	**95,853**	**$ 1,343,537**	**$ 175,270**	**$ (9,843)**	**$ 1,508,964**

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

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Hawaiian Electric Industries, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

Six months ended June 30 (in thousands)	2012	2011
Cash flows from operating activities		
Net income	$ 78,062	$ 56,547
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation of property, plant and equipment	75,517	75,243
Other amortization	2,999	11,965
Provision for loan losses	5,924	7,105
Loans receivable originated and purchased, held for sale	(161,344)	(64,028)
Proceeds from sale of loans receivable, held for sale	161,713	71,829
Change in deferred income taxes	41,541	39,051
Change in excess tax benefits from share-based payment arrangements	(40)	(55)
Allowance for equity funds used during construction	(3,937)	(2,561)
Change in cash overdraft		(2,305)
Changes in assets and liabilities		
Increase in accounts receivable and unbilled revenues, net	(42,428)	(52,537)
Increase in fuel oil stock	(35,893)	(6,509)
Decrease (increase) in accounts, interest and dividends payable	3,578	(41,989)
Change in prepaid and accrued income taxes and utility revenue taxes	(12,998)	8,333
Contributions to defined benefit pension and other postretirement benefit plans	(53,356)	(37,556)
Change in other assets and liabilities	(62,910)	(7,352)
Net cash provided by (used in) operating activities	**(3,572)**	**55,181**
Cash flows from investing activities		
Available-for-sale investment and mortgage-related securities purchased	(93,808)	(193,119)
Principal repayments on available-for-sale investment and mortgage-related securities	75,407	161,526
Proceeds from sale of available-for-sale investment and mortgage-related securities	3,548	2,066
Net increase in loans held for investment	(61,214)	(104,824)
Proceeds from sale of real estate acquired in settlement of loans	6,036	3,977
Capital expenditures	(145,263)	(89,088)
Contributions in aid of construction	26,981	8,153
Other		(2,911)
Net cash used in investing activities	**(188,313)**	**(214,220)**
Cash flows from financing activities		
Net increase in deposit liabilities	66,709	79,577
Net increase (decrease) in short-term borrowings with original maturities of three months or less	27,419	(24,923)
Net increase (decrease) in retail repurchase agreements	(14,556)	1,803
Proceeds from issuance of long-term debt	417,000	125,000
Repayment of long-term debt	(328,500)	(50,000)
Change in excess tax benefits from share-based payment arrangements	40	55
Net proceeds from issuance of common stock	11,909	12,071
Common stock dividends	(47,851)	(47,331)
Preferred stock dividends of subsidiaries	(946)	(946)
Other	(2,055)	(172)
Net cash provided by financing activities	**129,169**	**95,134**
Net decrease in cash and cash equivalents	(62,716)	(63,905)
Cash and cash equivalents, beginning of period	270,265	330,651
Cash and cash equivalents, end of period	**$ 207,549**	**$ 266,746**

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

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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, 2011 and the unaudited consolidated financial statements and the notes thereto in HEI s Quarterly Report on SEC Form 10-Q for the quarter ended March 31, 2012.

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 June 30, 2012 and December 31, 2011, the results of its operations for the three and six months ended June 30, 2012 and 2011 and cash flows for the six months ended June 30, 2012 and 2011. 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.

The Company has revised its electric utilities previously issued financial statements to correct an error that resulted in the understatement of franchise taxes, net of tax benefits, that should have been recorded in years prior to 2010. The Company determined the cumulative impact for periods prior to 2010 to be a charge to its earnings of $3.2 million. These adjustments were not considered to be material individually or in the aggregate to previously issued financial statements. The table below illustrates the effects of this revision on the Company s Consolidated Financial Statements for those line items affected (these revisions have no impact on the Company s Consolidated Statements of Income and Cash Flows for the periods reported):

(in thousands)	As previously filed	As revised	Difference
December 31, 2011			
Consolidated Balance Sheet			
Other assets	$ 517,550	$ 519,296	$ 1,746
Total assets	9,592,731	9,594,477	1,746
Other liabilities	516,990	521,979	4,989
Total liabilities	8,026,489	8,031,478	4,989
Retained earnings	201,640	198,397	(3,243)
Total shareholders equity	1,531,949	1,528,706	(3,243)
Total liabilities and shareholders equity	9,592,731	9,594,477	1,746

Consolidated Statement of Changes in Shareholders Equity			
Retained earnings	201,640	198,397	(3,243)
Total shareholders equity	1,531,949	1,528,706	(3,243)
December 31, 2010			
Consolidated Statement of Changes in Shareholders Equity			
Retained earnings	181,910	178,667	(3,243)
Total shareholders equity	1,483,637	1,480,394	(3,243)

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2 • Segment financial information

(in thousands)	Electric utility	Bank	Other	Total
Three months ended June 30, 2012				
Revenues from external customers	$ 789,539	$ 64,721	$ 8	$ 854,268
Intersegment revenues (eliminations)	13		(13)	
Revenues	789,552	64,721	(5)	854,268
Income (loss) before income taxes	48,501	21,873	(8,277)	62,097
Income taxes (benefit)	18,626	7,684	(3,486)	22,824
Net income (loss)	29,875	14,189	(4,791)	39,273
Preferred stock dividends of subsidiaries	499		(26)	473
Net income (loss) for common stock	29,376	14,189	(4,765)	38,800
Six months ended June 30, 2012				
Revenues from external customers	$ 1,539,113	$ 129,973	$ 42	$ 1,669,128
Intersegment revenues (eliminations)	49		(49)	
Revenues	1,539,162	129,973	(7)	1,669,128
Income (loss) before income taxes	93,708	45,337	(16,861)	122,184
Income taxes (benefit)	36,034	15,271	(7,183)	44,122
Net income (loss)	57,674	30,066	(9,678)	78,062
Preferred stock dividends of subsidiaries	998		(52)	946
Net income (loss) for common stock	56,676	30,066	(9,626)	77,116
Tangible assets (at June 30, 2012)	4,857,550	4,882,005	212	9,739,767
Three months ended June 30, 2011				
Revenues from external customers	$ 728,702	$ 66,318	$ (701)	$ 794,319
Intersegment revenues (eliminations)	36		(36)	
Revenues	728,738	66,318	(737)	794,319
Income (loss) before income taxes	28,603	23,806	(11,055)	41,354
Income taxes (benefit)	11,080	8,611	(5,949)	13,742
Net income (loss)	17,523	15,195	(5,106)	27,612
Preferred stock dividends of subsidiaries	499		(26)	473
Net income (loss) for common stock	17,024	15,195	(5,080)	27,139
Six months ended June 30, 2011				
Revenues from external customers	$ 1,374,001	$ 131,631	$ (680)	$ 1,504,952
Intersegment revenues (eliminations)	72		(72)	
Revenues	1,374,073	131,631	(752)	1,504,952
Income (loss) before income taxes	59,870	45,533	(19,050)	86,353
Income taxes (benefit)	22,659	16,487	(9,340)	29,806
Net income (loss)	37,211	29,046	(9,710)	56,547
Preferred stock dividends of subsidiaries	998		(52)	946
Net income (loss) for common stock	36,213	29,046	(9,658)	55,601
Tangible assets (at December 31, 2011)	4,674,007	4,827,784	10,496	9,512,287

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 HECO, 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 HECO financial information, including its commitments and contingencies, see HECO s consolidated financial statements beginning on page 26 through Note 9 on page 40.

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4 • Bank subsidiary

Selected financial information

American Savings Bank, F.S.B.

Statements of Income Data

(in thousands)	Three months ended June 30 2012	2011	Six months ended June 30 2012	2011
Interest income				
Interest and fees on loans	$ 44,473	$ 45,648	$ 89,361	$ 91,745
Interest on investment and mortgage-related securities	3,297	3,793	7,102	7,562
Total interest income	47,770	49,441	96,463	99,307
Interest expense				
Interest on deposit liabilities	1,696	2,387	3,475	4,980
Interest on other borrowings	1,214	1,382	2,475	2,749
Total interest expense	2,910	3,769	5,950	7,729
Net interest income	**44,860**	**45,672**	**90,513**	**91,578**
Provision for loan losses	2,378	2,555	5,924	7,105
Net interest income after provision for loan losses	**42,482**	**43,117**	**84,589**	**84,473**
Noninterest income				
Fees from other financial services	7,463	7,240	14,800	14,186
Fee income on deposit liabilities	4,322	4,599	8,600	9,048
Fee income on other financial products	1,532	1,861	3,081	3,534
Other income	3,634	3,177	7,029	5,556
Total noninterest income	16,951	16,877	33,510	32,324
Noninterest expense				
Compensation and employee benefits	18,696	18,166	37,342	35,671
Occupancy	4,241	4,288	8,466	8,528
Data processing	2,489	2,058	4,600	4,028
Services	2,221	1,949	4,004	3,720
Equipment	1,807	1,772	3,537	3,429
Other expense	8,106	7,955	14,813	15,888
Total noninterest expense	37,560	36,188	72,762	71,264
Income before income taxes	**21,873**	**23,806**	**45,337**	**45,533**
Income taxes	7,684	8,611	15,271	16,487
Net income	**$ 14,189**	**$ 15,195**	**$ 30,066**	**$ 29,046**

American Savings Bank, F.S.B.

Statements of Comprehensive Income Data

(in thousands)	Three months ended June 30 2012	2011	Six months ended June 30 2012	2011

Net income	$ 14,189	$ 15,195	$ 30,066	$ 29,046
Other comprehensive income (loss), net of taxes:				
Net unrealized gains on securities:				
Net unrealized gains on securities arising during the period, net of taxes, of $721 and $2,755 for the three months ended June 30, 2012 and 2011 and $572 and $2,341 for the six months ended June 30, 2012 and 2011, respectively	1,093	4,061	867	3,435
Less: reclassification adjustment for net realized gains, included in net income , net of taxes, of $53 and $2 for the three months ended June 30, 2012 and 2011 and $53 and $2 for the six months ended June 30, 2012 and 2011, respectively	(81)	(3)	(81)	(3)
Retirement benefit plans:				
Less: amortization of net loss, prior service gain and transition obligation included in net periodic benefit cost, net of taxes (tax benefits) of $(168) and $(5) for the three months ended June 30, 2012 and 2011 and $(332) and $1,077 for the six months ended June 30, 2012 and 2011, respectively	255	186	503	(1,453)
Other comprehensive income, net of taxes	1,267	4,244	1,289	1,979
Comprehensive income	$ 15,456	$ 19,439	$ 31,355	$ 31,025

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American Savings Bank, F.S.B.

Balance Sheets Data

(in thousands)	June 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 201,193	$ 219,678
Available-for-sale investment and mortgage-related securities	639,112	624,331
Investment in stock of Federal Home Loan Bank of Seattle	97,764	97,764
Loans receivable held for investment	3,734,937	3,680,724
Allowance for loan losses	(39,463)	(37,906)
Loans receivable held for investment, net	3,695,474	3,642,818
Loans held for sale, at lower of cost or fair value	11,915	9,601
Other	236,547	233,592
Goodwill	82,190	82,190
Total assets	$ 4,964,195	$ 4,909,974
Liabilities and shareholder s equity		
Deposit liabilities noninterest-bearing	$ 1,076,579	$ 993,828
Deposit liabilities interest-bearing	3,060,162	3,076,204
Other borrowings	218,673	233,229
Other	107,902	118,078
Total liabilities	4,463,316	4,421,339
Commitments and contingencies (see Litigation below)		
Common stock	332,769	331,880
Retained earnings	176,192	166,126
Accumulated other comprehensive loss, net of tax benefits	(8,082)	(9,371)
Total shareholder s equity	500,879	488,635
Total liabilities and shareholder s equity	$ 4,964,195	$ 4,909,974
Other assets		
Bank-owned life insurance	$ 123,563	$ 121,470
Premises and equipment, net	53,521	52,940
Prepaid expenses	15,423	15,297
Accrued interest receivable	14,084	14,190
Mortgage-servicing rights	8,818	8,227
Real estate acquired in settlement of loans, net	6,210	7,260
Other	14,928	14,208
	$ 236,547	$ 233,592
Other liabilities		
Accrued expenses	$ 12,928	$ 21,216
Federal and state income taxes payable	35,052	35,002
Cashier s checks	23,094	22,802
Advance payments by borrowers	9,975	10,100
Other	26,853	28,958
	$ 107,902	$ 118,078

Other borrowings consisted of securities sold under agreements to repurchase and advances from the Federal Home Loan Bank (FHLB) of Seattle of $169 million and $50 million, respectively, as of June 30, 2012 and $183 million and $50 million, respectively, as of December 31, 2011.

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.

As of June 30, 2012, ASB had total commitments to borrowers for loan commitments and unused lines and letters of credit of $1.4 billion, including $3 million to lend additional funds to borrowers whose loan terms have been

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modified in troubled debt restructurings (TDRs). There are no commitments to lend additional funds to borrowers of other impaired loans as of June 30, 2012.

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:

					Gross unrealized losses			
					Less than 12 months		12 months or longer	
(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Fair value	Amount	Fair value	Amount
June 30, 2012								
Federal agency obligations	$ 208,255	$ 3,193	$	$ 211,448	$	$	$	$
Mortgage-related securities- FNMA, FHLMC and GNMA	334,607	11,211	(149)	345,669	21,048	(149)		
Municipal bonds	78,532	3,478	(15)	81,995	7,357	(15)		
	$ 621,394	$ 17,882	$ (164)	$ 639,112	$ 28,405	$ (164)	$	$
December 31, 2011								
Federal agency obligations	$ 218,342	$ 2,393	$ (8)	$ 220,727	$ 19,992	$ (8)	$	$
Mortgage-related securities- FNMA, FHLMC and GNMA	334,183	10,699	(17)	344,865	11,994	(17)		
Municipal bonds	55,393	3,346		58,739				
	$ 607,918	$ 16,438	$ (25)	$ 624,331	$ 31,986	$ (25)	$	$

The unrealized losses on ASB s investments in 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 bases 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 bases, which may be at maturity, ASB did not consider these investments to be other-than-temporarily impaired at June 30, 2012.

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 may have the right to call or prepay obligations with or without call or prepayment penalties.

June 30, 2012	Amortized cost	Fair value
Due in one year or less	$	$
Due after one year through five years	189,424	191,698
Due after five years through ten years	79,093	82,877
Due after ten years	18,270	18,868
	286,787	293,443
Mortgage-related securities-FNMA,FHLMC and GNMA	334,607	345,669
Total available-for-sale securities	$ 621,394	$ 639,112

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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.

The allowance for loan losses was comprised of the following:

(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
Six months ended June 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	(1,512)		(39)	(1,247)			(1,834)	(1,252)		(5,884)
Recoveries	595		88	245			356	233		1,517
Provision	1,629	390	440	547	367	(1)	572	1,010	970	5,924
Ending balance	$ 7,212	$ 2,078	$ 4,843	$ 3,340	$ 2,255	$ 3	$ 13,961	$ 3,797	$ 1,974	$ 39,463
Ending balance: individually evaluated for impairment	$ 324	$	$	$ 2,322	$	$	$ 443	$	$	$ 3,089
Ending balance: collectively evaluated for impairment	$ 6,888	$ 2,078	$ 4,843	$ 1,018	$ 2,255	$ 3	$ 13,518	$ 3,797	$ 1,974	$ 36,374
Financing Receivables:										
Ending balance	$ 1,893,456	$ 372,616	$ 589,852	$ 34,200	$ 50,120	$ 1,797	$ 704,255	$ 101,042	$	$ 3,747,338
Ending balance: individually evaluated for impairment	$ 30,132	$ 12,938	$ 1,838	$ 29,855	$	$	$ 49,085	$ 23	$	$ 123,871
Ending balance: collectively evaluated for impairment	$ 1,863,324	$ 359,678	$ 588,014	$ 4,345	$ 50,120	$ 1,797	$ 655,170	$ 101,019	$	$ 3,623,467
Year ended December 31, 2011										
Allowance for loan losses:										
Beginning balance	$ 6,497	$ 1,474	$ 4,269	$ 6,411	$ 1,714	$ 7	$ 16,015	$ 3,325	$ 934	$ 40,646
Charge-offs	(5,528)		(1,439)	(4,071)			(5,335)	(3,117)		(19,490)
Recoveries	110		25	170			869	567		1,741
Provision	5,421	214	1,499	1,285	174	(3)	3,318	3,031	70	15,009
Ending balance	$ 6,500	$ 1,688	$ 4,354	$ 3,795	$ 1,888	$ 4	$ 14,867	$ 3,806	$ 1,004	$ 37,906
Ending balance: individually evaluated for impairment	$ 203	$	$	$ 2,525	$	$	$ 976	$	$	$ 3,704
Ending balance: collectively evaluated for impairment	$ 6,297	$ 1,688	$ 4,354	$ 1,270	$ 1,888	$ 4	$ 13,891	$ 3,806	$ 1,004	$ 34,202

Financing Receivables:										
Ending balance	$ 1,926,774	$ 331,931	$ 535,481	$ 45,392	$ 41,950	$ 3,327	$ 716,427	$ 93,253	$	$ 3,694,535
Ending balance: individually evaluated for impairment	$ 26,012	$ 13,397	$ 1,450	$ 39,364	$	$	$ 48,241	$ 24	$	$ 128,488
Ending balance: collectively evaluated for impairment	$ 1,900,762	$ 318,534	$ 534,031	$ 6,028	$ 41,950	$ 3,327	$ 668,186	$ 93,229	$	$ 3,566,047

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 ten-point risk rating system is used to determine loan grade and is based on borrower loan risk. The risk rating is a numerical representation of risk 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.

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The loan grade categories are:

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

(in thousands)	June 30, 2012 Commercial real estate	June 30, 2012 Commercial construction	June 30, 2012 Commercial	December 31, 2011 Commercial real estate	December 31, 2011 Commercial construction	December 31, 2011 Commercial
Grade:						
Pass	$ 346,522	$ 50,120	$ 631,540	$ 308,843	$ 41,950	$ 650,234
Special mention	13,156		22,752	8,594		14,660
Substandard	9,859		44,366	11,058		47,607
Doubtful	3,079		5,597	3,436		3,926
Loss						
Total	$ 372,616	$ 50,120	$ 704,255	$ 331,931	$ 41,950	$ 716,427

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

(in thousands)	30-59 days past due	60-89 days past due	Greater than 90 days	Total past due	Current	Total financing receivables	Recorded investment> 90 days and accruing
June 30, 2012							
Real estate loans:							
Residential 1-4 family	$ 6,317	$ 3,653	$ 29,346	$ 39,316	$ 1,854,140	$ 1,893,456	$
Commercial real estate	151		3,079	3,230	369,386	372,616	
Home equity line of credit	822	285	2,241	3,348	586,504	589,852	
Residential land	617	649	7,408	8,674	25,526	34,200	180
Commercial construction					50,120	50,120	
Residential construction					1,797	1,797	
Commercial loans	2,321	1,840	1,914	6,075	698,180	704,255	117
Consumer loans	555	364	498	1,417	99,625	101,042	415
Total loans	$ 10,783	$ 6,791	$ 44,486	$ 62,060	$ 3,685,278	$ 3,747,338	$ 712
December 31, 2011							
Real estate loans:							
Residential 1-4 family	$ 10,391	$ 4,583	$ 28,113	$ 43,087	$ 1,883,687	$ 1,926,774	$
Commercial real estate					331,931	331,931	

Home equity line of credit	1,671	494	1,421	3,586	531,895	535,481	
Residential land	2,352	575	13,037	15,964	29,428	45,392	205
Commercial construction					41,950	41,950	
Residential construction					3,327	3,327	
Commercial loans	226	733	1,340	2,299	714,128	716,427	28
Consumer loans	553	344	486	1,383	91,870	93,253	308
Total loans	$ 15,193	$ 6,729	$ 44,397	$ 66,319	$ 3,628,216	$ 3,694,535	$ 541

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

	June 30, 2012		December 31, 2011	
(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	$ 30,945	$	$ 28,298	$
Commercial real estate	3,079		3,436	
Home equity line of credit	2,587		2,258	
Residential land	7,637	180	14,535	205
Commercial construction				
Residential construction				
Commercial loans	17,619	117	17,946	28
Consumer loans	169	415	281	308
Total	$ 62,036	$ 712	$ 66,754	$ 541

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

	June 30, 2012			Three months ended June 30, 2012		Six months ended June 30, 2012	
(in thousands)	Recorded investment	Unpaid principal balance	Related Allowance	Average recorded investment	Interest income recognized*	Average recorded investment	Interest income recognized*
With no related allowance recorded							
Real estate loans:							
Residential 1-4 family	$ 16,405	$ 22,509	$	$ 16,897	$ 79	$ 17,697	$ 168
Commercial real estate	12,938	12,938		13,152	92	13,254	237
Home equity line of credit	654	1,552		655		657	1
Residential land	22,639	29,170		24,774	319	26,337	724
Commercial construction							
Residential construction							
Commercial loans	42,811	45,783		44,055	450	43,107	946
Consumer loans	23	23		23		24	
	95,470	111,975		99,556	940	101,076	2,076
With an allowance recorded							
Real estate loans:							
Residential 1-4 family	4,520	4,520	324	4,075	59	3,854	134
Commercial real estate							
Home equity line of credit							
Residential land	7,197	7,256	2,321	7,201	122	7,392	307
Commercial construction							
Residential construction							
Commercial loans	6,274	6,527	443	3,193	8	3,928	18
Consumer loans							
	17,991	18,303	3,088	14,469	189	15,174	459
Total							
Real estate loans:							
Residential 1-4 family	20,925	27,029	324	20,972	138	21,551	302
Commercial real estate	12,938	12,938		13,152	92	13,254	237

Home equity line of credit	654	1,552		655		657	1
Residential land	29,836	36,426	2,321	31,975	441	33,729	1,031
Commercial construction							
Residential construction							
Commercial loans	49,085	52,310	443	47,248	458	47,035	964
Consumer loans	23	23		23		24	
	$ 113,461	$ 130,278	$ 3,088	$ 114,025	$ 1,129	$ 116,250	$ 2,535

* Since loan was classified as impaired.

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(in thousands)	December 31, 2011 Recorded investment	December 31, 2011 Unpaid principal balance	December 31, 2011 Related allowance	Year ended December 31, 2011 Average recorded investment	Year ended December 31, 2011 Interest income recognized
With no related allowance recorded					
Real estate loans:					
Residential 1-4 family	$ 19,217	$ 26,614	$	$ 21,385	$ 282
Commercial real estate	13,397	13,397		13,404	747
Home equity line of credit	711	1,612		954	6
Residential land	30,781	39,136		33,398	1,779
Commercial construction					
Residential construction					
Commercial loans	41,680	43,516		40,952	2,912
Consumer loans	25	25		16	
	105,811	124,300		110,109	5,726
With an allowance recorded					
Real estate loans:					
Residential 1-4 family	3,525	3,525	203	3,527	201
Commercial real estate					
Home equity line of credit					
Residential land	7,792	7,852	2,525	8,158	603
Commercial construction					
Residential construction					
Commercial loans	6,561	6,561	976	8,131	737
Consumer loans					
	17,878	17,938	3,704	19,816	1,541
Total					
Real estate loans:					
Residential 1-4 family	22,742	30,139	203	24,912	483
Commercial real estate	13,397	13,397		13,404	747
Home equity line of credit	711	1,612		954	6
Residential land	38,573	46,988	2,525	41,556	2,382
Commercial construction					
Residential construction					
Commercial loans	48,241	50,077	976	49,083	3,649
Consumer loans	25	25		16	
	$ 123,689	$ 142,238	$ 3,704	$ 129,925	$ 7,267

Troubled debt restructurings. A loan modification is deemed to be a TDR when ASB grants a concession it would not otherwise consider were it not for the borrower s financial difficulty. When a borrower fails to make a required payment on a loan or is in imminent default, ASB takes a number of steps to induce the borrower to cure the delinquency and restore the loan to current status or to avoid payment default. At times, ASB may restructure a loan to help a distressed borrower improve their financial position to eventually be able to fully repay the loan, provided the borrower has demonstrated both the willingness and the ability to handle 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, temporary deferral of principal payments, temporary interest rate reductions, and covenant amendments or waivers. ASB does not grant principal forgiveness in its TDR modifications. Residential loan modifications generally involve the deferral of principal payments for a period of time not exceeding one year or a temporary reduction of principal and/or interest rate for a period of time generally not exceeding two years. Land loans 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 another one to three 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, amendment or waiver of financial covenants, and to a lesser extent 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.

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All TDR loans are classified 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 costs 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:

	Three months ended June 30, 2012			Six months ended June 30, 2012		
(dollars in thousands)	Number of contracts	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Number of contracts	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
Troubled debt restructurings						
Real estate loans:						
Residential 1-4 family	15	$ 3,056	$ 2,872	22	$ 4,469	$ 4,282
Commercial real estate						
Home equity line of credit						
Residential land	8	1,774	1,580	15	3,508	3,021
Commercial loans	8	1,869	1,869	14	2,029	2,029
Consumer loans						
Total	31	$ 6,699	$ 6,321	51	$ 10,006	$ 9,332

Loans modified in TDRs that experienced a payment default of 90 days or more, and for which the payment default occurred within one year of the modification, were nil for the three months ended June 30, 2012 and were as follows for the six months ended June 30, 2012:

	Six months ended June 30, 2012	
(dollars in thousands)	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	3	847
Consumer loans		
Total	3	$ 847

The three commercial loans that subsequently defaulted were modified by temporarily lowering the monthly payments and deferring principal payments for a short period of time.

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.

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5 • Retirement benefits

Defined benefit pension and other postretirement benefit plans information. For the first six months of 2012, the Company contributed $53 million ($52 million by the utilities and $1 million by HEI) to its retirement benefit plans, compared to $38 million (primarily by the utilities) in the first six months of 2011. The Company s current estimate of contributions to its retirement benefit plans in 2012 is $107 million ($104 million by the utilities and $3 million by HEI), compared to $75 million ($73 million by the utilities and $2 million by HEI) in 2011. In addition, the Company expects to pay directly $2 million ($1 million each by the utilities and HEI) of benefits in 2012, comparable to 2011.

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 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. MAP-21 is expected to reduce the minimum required funding for 2012 and 2013, but specific guidance is needed from the IRS to estimate the amount of the reduction.

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 and restrictions on participant benefit accruals may be placed on the plan. The HEI Retirement Plan has fallen below these thresholds and the minimum required contribution estimated for 2012 incorporates the more conservative assumptions required. Other factors could cause changes to the required contribution levels.

Effective April 1, 2011, accelerated distribution options (the $50,000 single sum distribution option and a Social Security level income option) under the HEI Retirement Plan became subject to partial restrictions because the funded status of the HEI Retirement Plan was deemed to be less than 80%. Generally, while the partial restrictions are in effect, a retiring participant may only elect an accelerated distribution option for 50% of the participant s total benefit. The partial restrictions are expected to continue through 2012.

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

	Three months ended June 30				**Six months ended June 30**			
	Pension benefits		**Other benefits**		**Pension benefits**		**Other benefits**	
(in thousands)	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Service cost	$ 11,397	$ 8,824	$ 1,008	$ 1,173	$ 21,588	$ 17,741	$ 2,104	$ 2,440
Interest cost	16,973	16,271	2,223	2,417	33,744	32,580	4,504	4,878
Expected return on plan assets	(17,736)	(17,172)	(2,557)	(2,657)	(35,592)	(34,273)	(5,178)	(5,305)
Amortization of net transition obligation						1		
Amortization of prior service gain	(82)	(97)	(449)	(309)	(163)	(194)	(897)	(533)
Amortization of net actuarial loss	6,403	4,314	299	40	12,826	8,719	752	55
Net periodic benefit cost	16,955	12,140	524	664	32,403	24,574	1,285	1,535
Impact of PUC D&Os	(4,977)	(556)	(416)	1,734	(8,834)	(2,100)	(1,096)	2,752
	$ 11,978	$ 11,584	$ 108	$ 2,398	$ 23,569	$ 22,474	$ 189	$ 4,287

Net periodic benefit cost (adjusted for impact of PUC D&Os)	

Consolidated HEI recorded retirement benefits expense of $17 million and $20 million in the first six months of 2012 and 2011, 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.

Defined contribution plans information. For the first six months of 2012 and 2011, 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 $1.8 million and $1.7 million, respectively, and cash contributions were $2.7 million and $2.8 million, respectively.

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6 • Share-based compensation

Under the 2010 Equity and Incentive Plan (EIP), HEI can issue an aggregate of 4 million 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 June 30, 2012, there were 3.8 million shares remaining available for future issuance under the EIP of which an estimated 1.8 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), grants and awards of an estimated 0.5 million shares of common stock (based on various assumptions, including LTIP awards earned at maximum levels and the use of the June 30, 2012 market price of shares as the price on the exercise/payment dates) were outstanding as of June 30, 2012 to selected employees in the form of nonqualified stock options (NQSOs), stock appreciation rights (SARs), restricted stock units, LTIP performance and other shares and dividend equivalents. 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.

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

	Three months ended June 30		Six months ended June 30	
(in millions)	**2012**	**2011**	**2012**	**2011**
Share-based compensation expense (1)	$ 1.7	$ 0.5	$ 3.5	$ 1.7
Income tax benefit	0.6	0.1	1.2	0.5

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

Nonqualified stock options. Information about HEI s NQSOs was as follows:

June 30, 2012		Outstanding & Exercisable (Vested)		
Year of grant	**Range of exercise prices**	**Number of options**	**Weighted-average remaining contractual life**	**Weighted-average exercise price**
2003	$ 20.49	22,000	0.7	$ 20.49

As of December 31, 2011, NQSOs outstanding totaled 55,500 (representing the same number of underlying shares), with a weighted-average exercise price of $20.92. As of June 30, 2012, all NQSOs outstanding were exercisable and had an aggregate intrinsic value (including dividend equivalents) of $0.2 million.

NQSO activity and statistics were as follows:

(dollars in thousands, except prices)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Shares exercised	21,500	69,500	33,500	102,000
Weighted-average exercise price	$ 20.93	$ 21.07	$ 21.20	$ 20.82
Cash received from exercise	$ 450	$ 1,465	$ 710	$ 2,123
Intrinsic value of shares exercised (1)	$ 174	$ 581	$ 265	$ 840
Tax benefit realized for the deduction of exercises	$ 68	$ 170	$ 103	$ 271

(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.

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

June 30, 2012			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	1.8	$ 26.02
2005		26.18	108,000	2.7	26.18
	$	26.02 26.18	170,000	2.4	$ 26.12

As of December 31, 2011, the shares underlying SARs outstanding totaled 282,000, with a weighted-average exercise price of $26.14. As of June 30, 2012, all SARs outstanding were exercisable and had an aggregate intrinsic value (including dividend equivalent rights) of $0.5 million.

SARs activity and statistics were as follows:

	Three months ended June 30		Six months ended June 30	
(dollars in thousands, except prices)	2012	2011	2012	2011
Shares underlying SARS expired		4,000		40,000
Weighted-average price of shares expired		$ 26.18		$ 26.11
Shares underlying SARS exercised	112,000		112,000	
Intrinsic value of shares exercised (1)	$ 194		$ 194	
Tax benefit realized for the deduction of exercises	$ 76		$ 76	

(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 June 30				Six months ended June 30			
	2012		2011		2012		2011	
	Shares	(1)	Shares	(1)	Shares	(1)	Shares	(1)
Outstanding, beginning of period	38,107	$ 23.83	88,709	$ 24.63	46,807	$ 24.45	89,709	$ 24.64
Granted								
Vested	(23,300)	24.71	(29,800)	26.03	(32,000)	25.38	(29,800)	26.03
Forfeited								