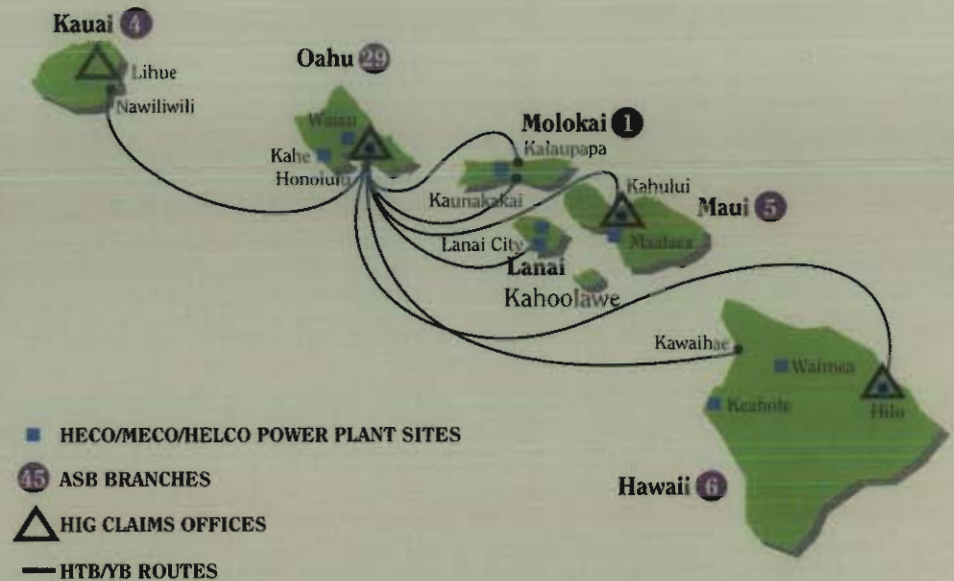


HAWAIIAN ELECTRIC INDUSTRIES, INC.
1991 ANNUAL REPORT

**INVESTING IN
HAWAII'S GROWTH**

Contents

Letter to stockholders	2
The Hawaiian economy	6
Utility company operations	10
Diversified company operations	20
Community relations	28
Selected financial data	29
Business group and segment financial information	30
Management's discussion and analysis	31
Independent auditors' report	43
Consolidated financial statements	44
Notes to consolidated financial statements	47
Directors and officers	62
Stockholder information	64
Dividend reinvestment and stock purchase plan	Insert
"Hawaii: The Electric Century"	Inside back cover



Hawaiian Electric Industries, Inc. is a diversified electric utility holding company embarking on its second century of providing essential services to the people of Hawaii. Its core businesses — electric utility, banking, insurance, maritime freight transportation and real estate — are vital parts of Hawaii's economy.

Hawaiian Electric Company and its subsidiaries, Maui Electric Company and Hawaii Electric Light Company, provide electricity to 95% of the state's 1.1 million residents. The utilities serve more than 350,000 residential, commercial and industrial accounts on the islands of Oahu, Maui, Hawaii, Lanai and Molokai.

American Savings Bank, with assets of more than \$2 billion, is among the nation's strongest savings banks. The bank's strength is based on an extensive retail franchise, a focus on residential mortgage lending and excellent loan quality. American Savings serves 250,000 account holders through a network of 45 branch offices — the largest branch network of any savings bank in Hawaii.

Hawaiian Insurance Group is among the top five property and casualty insurers in Hawaii, providing workers' compensation, automobile, general liability, homeowners and fire coverage to 63,000 commercial and individual customers.

Hawaiian Tug & Barge Corp. and **Young Brothers, Limited**, are the principal movers of maritime cargo within the state, operating a fleet of 13 tugs and 17 barges. Hawaiian Tug & Barge provides towing and harbor-assist services. Young Brothers provides regulated, scheduled barge service to all of the state's major islands.

Malama Pacific Corp., a real estate subsidiary, is helping to ease the state's chronic housing shortage by developing residential homes and lots through joint ventures.

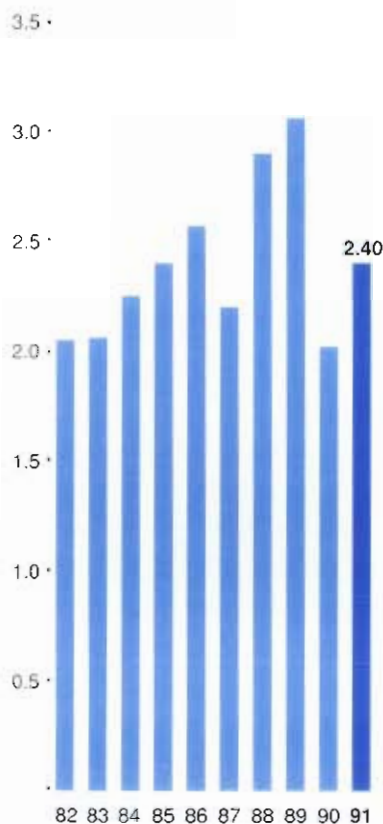
Cover:
Honolulu's expansion — with its growing demand for electricity — is underscored in this aerial photo from above Manoa Valley. Hawaiian Electric Company crews use helicopters to install transmission towers in Oahu's rugged Koolau Mountains. Foliage in company power-line rights of way is monitored and discreetly cut, in an attempt to preserve Hawaii's natural beauty.

Financial Highlights

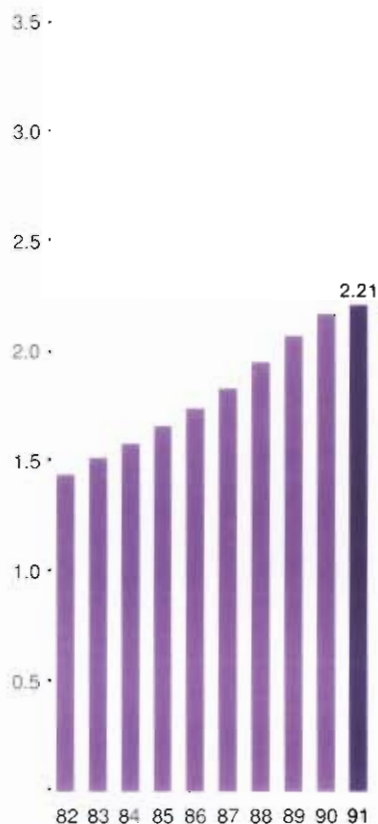
Hawaiian Electric Industries, Inc.

Years ended December 31	1991	1990	1989	1990-1991 % change
(dollars in thousands, except per share amounts)				
Operating income	\$131,233	\$116,295	\$136,659	13
Net income	\$54,826	\$43,602	\$64,075	26
Earnings per common share	\$2.40	\$2.02	\$3.06	19
Dividends per common share	\$2.21	\$2.17	\$2.07	2
Book value per common share (year end)	\$24.36	\$23.29	\$23.18	5
Market price range per common share:				
High	\$37.88	\$40.00	\$40.25	
Low	\$29.38	\$27.25	\$29.38	
Year end	\$36.75	\$31.63	\$40.25	
Return on average common equity	10.0%	8.7%	13.5%	
Indicated annual yield (year end)	6.1%	7.0%	5.4%	
Price earnings ratio (year end)	15.3	15.6	13.2	
Common shares outstanding (thousands):				
Year end	23,867	21,918	21,266	9
Weighted average	22,882	21,559	20,960	6

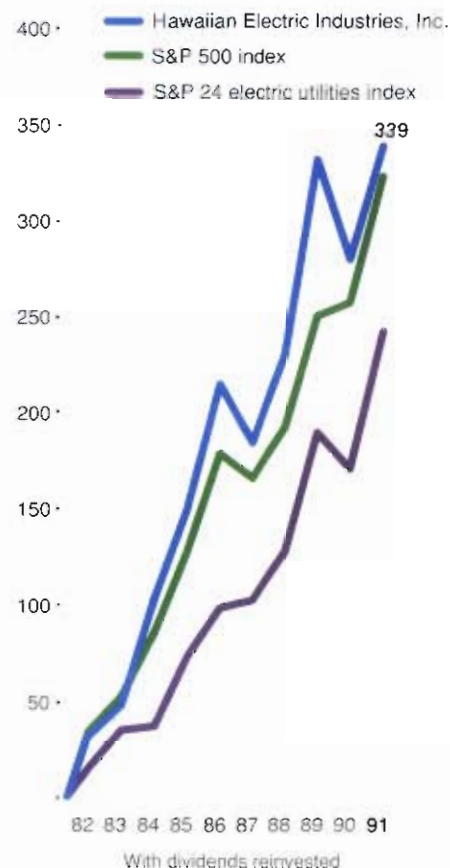
Earnings per share (\$)



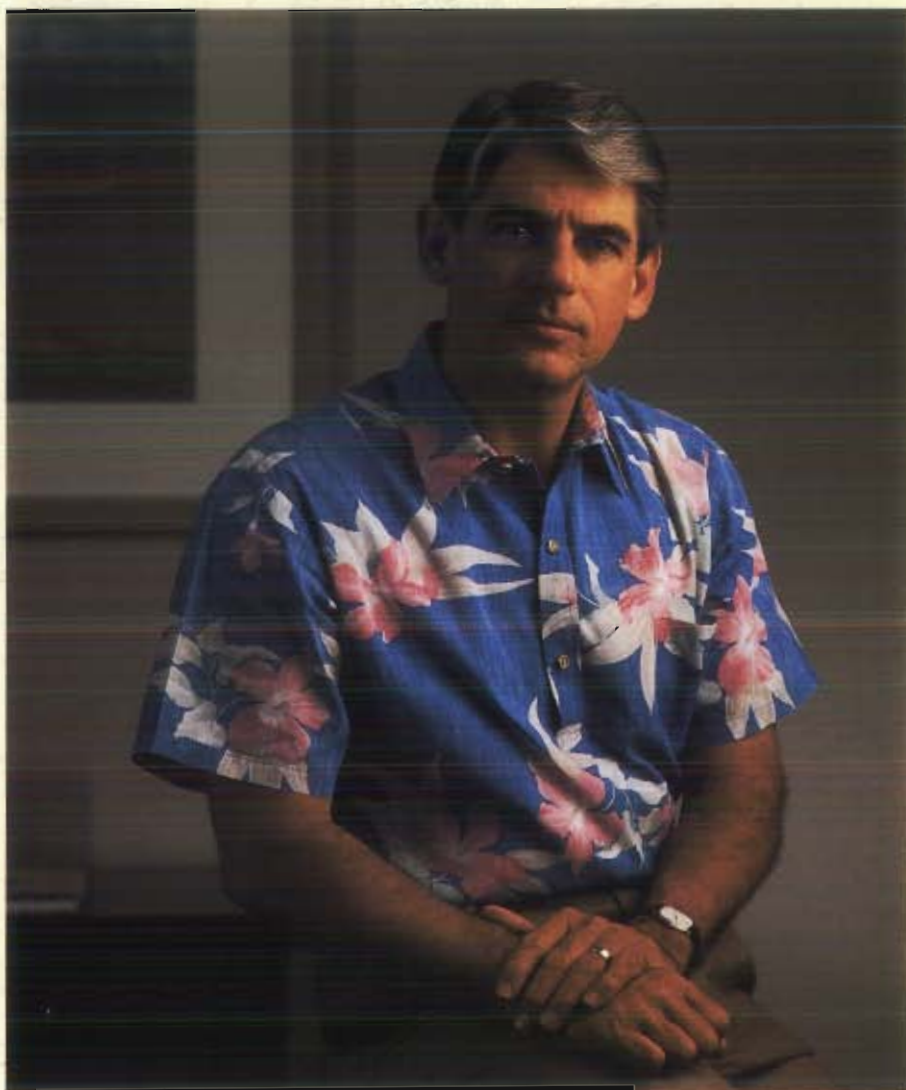
Dividends per share (\$)



Cumulative total return (%)



To Our Stockholders



Robert F. Clarke
President and chief executive officer

Aloha. Entering 1992, the prospects are good for the Hawaiian economy to continue to perform better than the nation as a whole. The Gulf war has ended and tourism has recovered. Although the U.S. mainland continues to struggle with a lingering recession and there remains a distinct lack of confidence in the future economic strength of the country, we expect Hawaii to fare better than the mainland, especially as the country moves out of recession.

While economic growth slowed in 1991, the Hawaiian economy did not fall into recession and the state continued to have virtual full employment. Hawaii's economy is unique among the 50 states in that we benefit from the economies of both the U.S. and Asia. Hawaii is an increasingly attractive destination for visitors from Japan and other Asian and South Pacific countries. Our state's position as a gateway to the Pacific and its unique visitor attractions should continue to support a strong economy in the years ahead.

1991 Results

1991 was a year of mixed results for HEI. Earnings per share of \$2.40 were up 38 cents or 19% from 1990 results, which included a 54-cent charge for the writedown of certain passive investments. Two of our electric utilities obtained rate increases based on 1990 test year costs, but costs continued to rise in

1991. On April 9, Oahu experienced an island-wide outage caused by faults on two transmission lines connecting our Kahe and Waiau power plants while a third line was out for maintenance. A comprehensive investigation into the cause of the second of the two faults is continuing.

Our neighbor island utilities suffered from very narrow reserve margins of generating capacity due to permitting delays. The problem was compounded on the island of Hawaii by further delays in the start-up of an independent geothermal plant. Customers on both islands were cooperative in responding to our requests to cut back on electricity consumption at designated times to reduce the likelihood of service interruptions.

On the plus side, American Savings Bank continued its outstanding record of profitability, growth and high credit quality. The assets of American Savings have almost doubled since we acquired the company in 1988 and their 45 retail branches, now the largest network of any Hawaii thrift, have positioned the bank to compete well in the years ahead. American Savings ended 1991 with an interest-rate spread of 326 basis points, a leveraged return on equity of slightly more than 15% and, for the third year in a row, no real estate owned through foreclosure.

Our smaller diversified subsidiaries generally did not perform up to our expectations. Actions

continue to make these companies more competitive, efficient and profitable in the future. You will find a more complete discussion of their results later in this report.

In June, HEI completed the sale of 1.2 million shares of common stock, raising \$40 million in new equity which was invested in utility company construction programs.

Strategic Plan

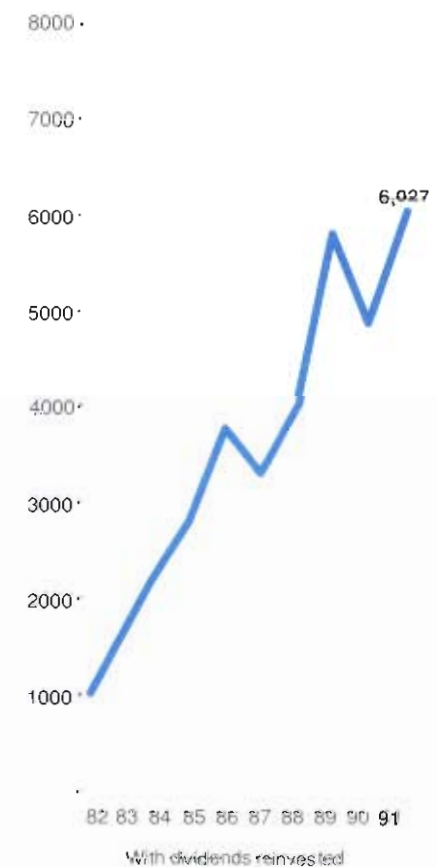
The past and projected growth of Hawaii led to a major shift in emphasis in strategy within HEI in 1991. You may recall that in the early 1980s, HEI embarked upon an aggressive diversification program, predicated, in part, on stagnating growth prospects in our electric utility companies. The strategy called for investing in Hawaii in selected high-return businesses. Our diversification program has been successful and we believe it has rewarded our stockholders with enhanced value. In 1991, about 25% of operating income came from our nonutility operations. In particular, our largest and most important acquisition, American Savings Bank, has consistently performed at a very high level.

In re-examining our strategic plan last year, it became apparent that the conditions which gave rise to our diversification program had changed dramatically. Rather than facing limited growth, our utility companies were having to invest substantial capital to support the state's economic

expansion and to improve service to our customers. Indeed, our present projections indicate that HEI must nearly double its equity investment in its utility companies over the next five years. Clearly, this is a major commitment of capital and resources.

Accordingly, we have shifted our emphasis from further diversification through acquisition to a renewed focus on our core utility business. In general, we expect that our existing nonutility companies will continue to

Value of \$1,000 invested in HEI stock in 1982



During 1991, Andrew I. T. Chang was promoted to vice president for government relations after the resignation of Roy J. Yee as vice president for public affairs. Mr. Chang has had a distinguished career in both government and the private sector and is very well suited to represent your company.

At our real estate subsidiary, Malama Pacific Corp., Harvey L. Goth was named president, succeeding Teney K. Takahashi who resigned. Mr. Goth's 23 years of real estate industry experience include serving as executive vice president of Blackfield Hawaii Corporation.

Two key appointments were made at HECO. Edward Y. Hirata joined as vice president for planning, succeeding Richard McQuain who resigned. Mr. Hirata was transportation director for the State

of Hawaii. T. Michael May joined in February 1992 as senior vice president responsible for planning, customer relations, corporate communications and regulatory matters. Mr. May was a founder and principal of an organizational consulting firm. Prior to that, he was president of Caterpillar Capital Company and vice president and general manager of the Energy Service Division of Solar Turbines Incorporated.

At American Savings Bank, Alan T. Misaki succeeded Berg Fujimoto who retired. Mr. Misaki was appointed senior vice president of residential and commercial lending. He was vice president of residential loan administration and has been in banking for more than 20 years.

further pressure; we could lose reasonable access to the financial markets which would make it difficult to achieve our investment objectives.

A key concern is to reduce "regulatory lag," or the time it takes to get meaningful rate increases once a rate case has been filed. Based on discussions with the state's Consumer Advocate and with the PUC, we are hopeful that substantial progress will be made this year. We have three rate cases presently before the PUC.

Hawaiian Electric Company has devoted considerable resources to Integrated Resource Planning (IRP). Under the auspices of the PUC, the IRP process seeks to bring our electric utility companies, various environmental and conservation groups and government agencies together to plan for the state's long-term energy needs. These plans will include specific programs to reduce the growth in electricity demand. It is hoped that this process will help to identify the optimal ways to generate power for our community and produce a consensus and framework for our planning for the years ahead. Your company is an active and willing participant in this process.

Long-term Goals

Our long-term goals remain unchanged. We intend to protect your investment by increasing earnings and dividends at least to keep pace with the rate of inflation. In 1991, we increased dividends per share for the 28th year in a row. We

grow in their markets. Smaller acquisitions might be considered only if they make our existing companies more competitive or more efficient. But we would not expect to make any major diversified acquisitions in the near future.

Utility Challenges

The challenges facing our utility companies are profound. Our electric utility companies need to spend more than \$1 billion on capital improvements during the next five years and they require rate relief to support this major long-term capital

investment program. More than half of the funds to support this investment must come from investors in debt and equity markets. To have access to these capital markets at a reasonable cost, our utility companies must show strong profitability and competitive returns. To achieve this profitability, they not only must be cost conscious, but they also must have the support of our regulators, the Hawaii Public Utilities Commission (PUC), as well as the understanding of our customers. Without such support, our bond ratings, which were downgraded last year, would be under

are mindful that increasing dividends is the single most important characteristic that investors seek when they buy an electric utility stock, particularly at a time of low interest rates. We hope to keep our record of dividend increases intact.

Over the long term, prospects are good and the fundamental reasons to own our stock remain the same. We remain focused on Hawaii, a fast-growing state with a vibrant economy. Our stock continues to be an excellent way to participate in Hawaii's growth. The growth in our service territory underscores the need for management to emphasize utility operations over the next five years. This provides an opportunity for significant rate base expansion and increased earnings. We think this will allow us to continue our long history of growth in dividends. Our diversification strategy has proven to be sound and continues to add value. Over the past 10 years, the average annual total return on HEI common stock has been 20%, compared with 18% for the S&P 500 index.

The future for Hawaiian Electric Industries will be challenging, but with the guidance of the HEI board of directors and commitment of 3,400 talented employees, the opportunities for continued, rewarding growth are even greater.

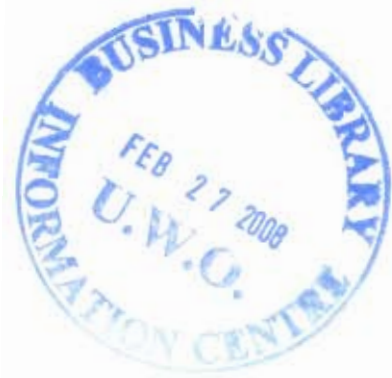


Robert F. Clarke
President and chief executive officer
February 14, 1992

Hawaiian Electric Industries Mission and Objectives

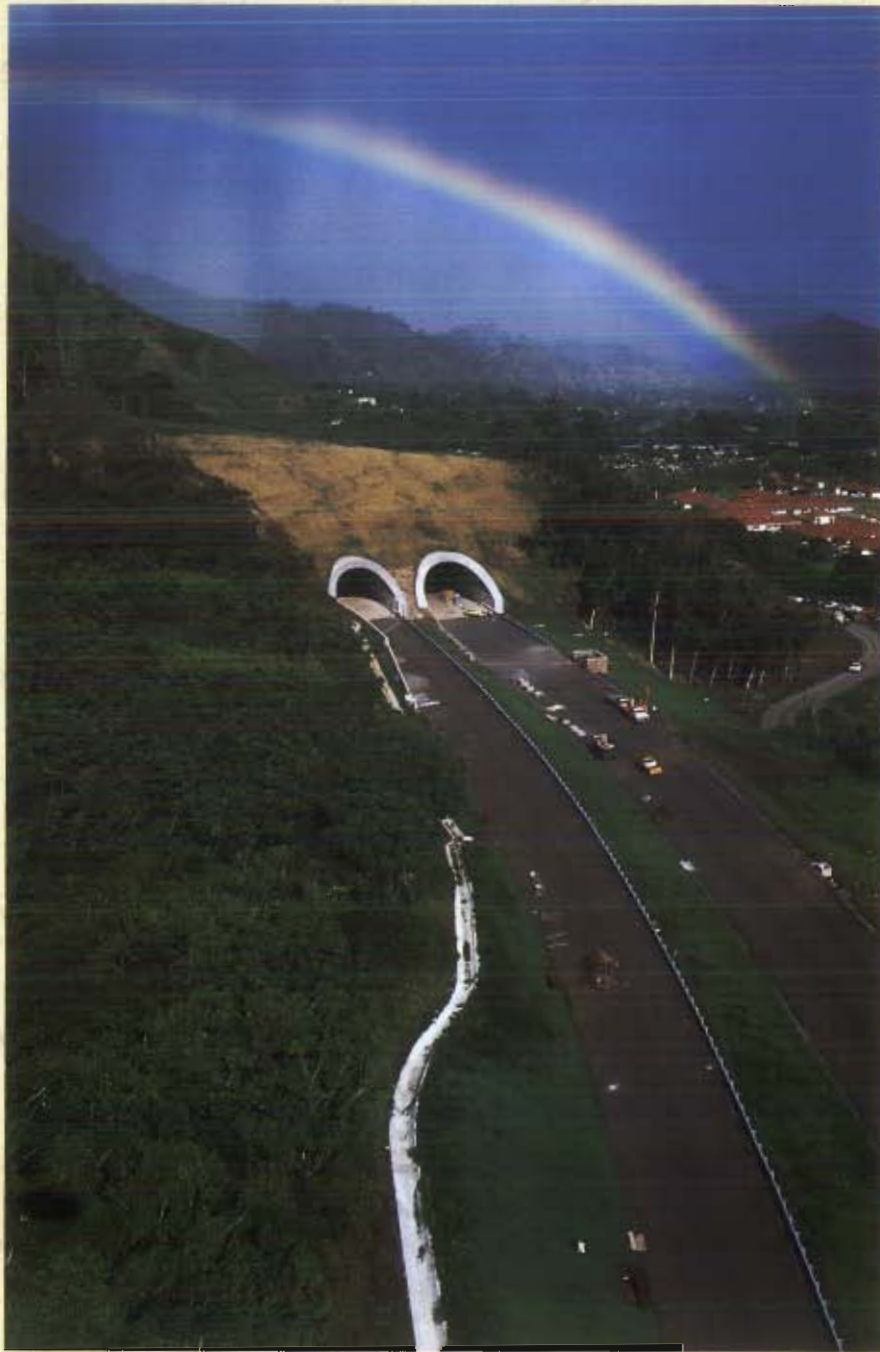
HEI will provide stockholders with long-term growth in value through a group of companies that provide customers, principally in Hawaii, with quality products and essential services, based on strengths in management, engineering, technical services, finance and customer service.

- HEI will be one of Hawaii's top companies in profitability and capital investment, while providing long-term growth in stockholder value.
- HEI will provide quality products and essential services in four major business areas: electric utility, financial services, freight transportation and real estate development.
- HEI will be a profitable diversified company that continues to give priority to providing reliable electric service at reasonable cost.
- HEI will maintain and foster cooperation and credibility with the public and with all levels of the government.
- HEI will provide a customer-oriented work environment that reinforces the commitment and strengthens the ability of our employees to strive for excellence.
- Along with our employees, HEI will take a major role in improving Hawaii's economy and quality of life.



The Hawaiian Economy

Hawaii's economy continues to grow despite the recession on the U.S. mainland.



A morning rainbow frames the tunnels of H-3, the third freeway under construction on Oahu. The \$1 billion project will cross the island, connecting the northeastern, windward side and the Pearl Harbor area. The project is expected to be completed in 1995.

Hawaii's long-term economic growth prospects are good. The state is positioned to reap the benefits of wide-ranging political and economic restructuring throughout Asia over the next decade. From Japan and Korea in the north, to Vietnam and Singapore in the south, commercial and financial patterns are taking new shapes.

A more powerful Asian market is developing. Singapore is growing as a manufacturing and financial center. Korea's industrialization is taking on new importance as the possibility of unification moves forward. Japan has begun to broaden investment in neighboring Asian nations. Vietnam is re-entering commercial markets. In short, regional production and incomes are expanding.

Gauging the precise impact of these developments on Hawaii will take time. Likely developments include continued capital investment in the state from the region.

In the short term, as new economic realities evolve around the Pacific Rim, Hawaii's economy continues to grow, despite the recession on the U.S. mainland, the brief war in the Persian Gulf and changes in Japanese monetary and investment policies.

In 1991, the state economy continued to outperform the U.S. as a whole. Gross state product grew at a

real annual rate of 1.5% to \$29 billion, while the gross national product declined. From 1986 to 1990, the state economy grew at real annual rates ranging from 4% to 7%. Forecasts for 1992 call for the Hawaii economy to grow by 2.5% after inflation, compared with a real national economic growth rate of 1.6%.

Hawaii was one of the 10 fastest growing states in the nation in 1991. The population increased 2.4% from 1990 to 1.13 million, according

to U.S. Census Bureau data. Hawaii has had essentially full employment for several years and little change is expected. In sharp contrast, national unemployment is about 7%.

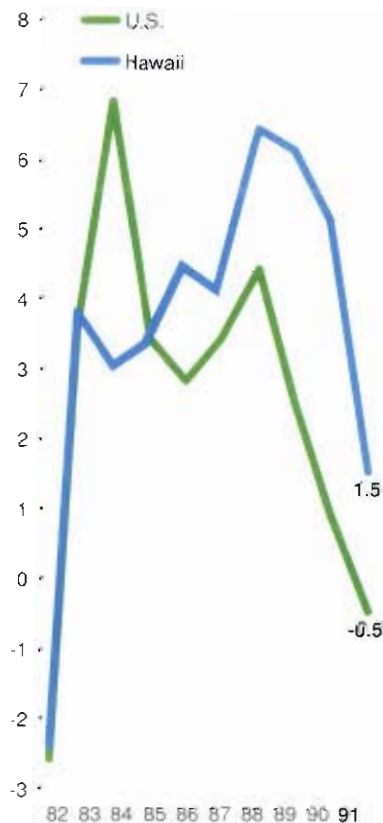
Tourism, Hawaii's largest industry, will be an important beneficiary of increased national economic growth. The visitor industry demonstrated its resiliency in 1991, rebounding quickly from the influences on travel of the Gulf war and mainland recession. Growth in visitor arrivals resumed in the last half of 1991, finishing down just 2% for the year after dropping about 5% from 1990 levels in the first half. For short periods in the first half of the year, arrivals were declining at a double-digit pace.

Visitor arrivals in 1992 are projected to increase about 3% to more than 7 million. Much of the increase is expected to come from continued strength in eastbound arrivals, primarily from Japan. Westbound arrivals, which declined slightly in 1991, are expected to be about the same in 1992.

A 1991 analysis of tourist-expenditure data confirmed that nontourism industries played larger roles in the state's economic expansion than previously thought.

Federal government spending, up slightly to nearly \$5.6 billion in 1991, is the second largest component of Hawaii's economy and the outlook is for continued growth.

Real economic growth rates (%)
GNP vs. Hawaii gross state product

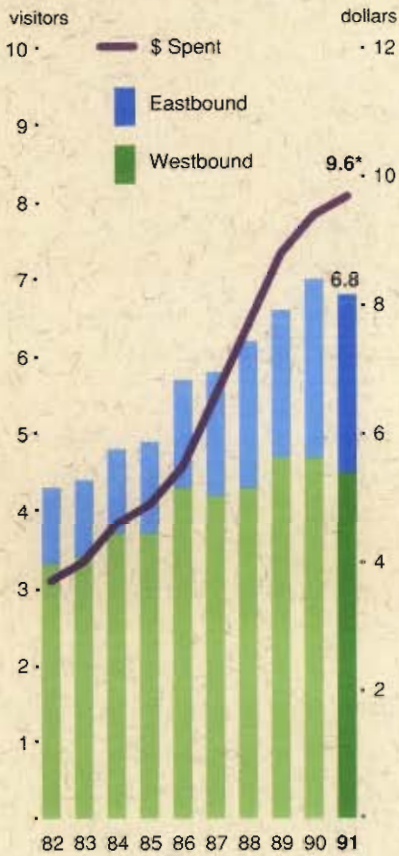


Source: Hawaii Department of Business, Economic Development and Tourism

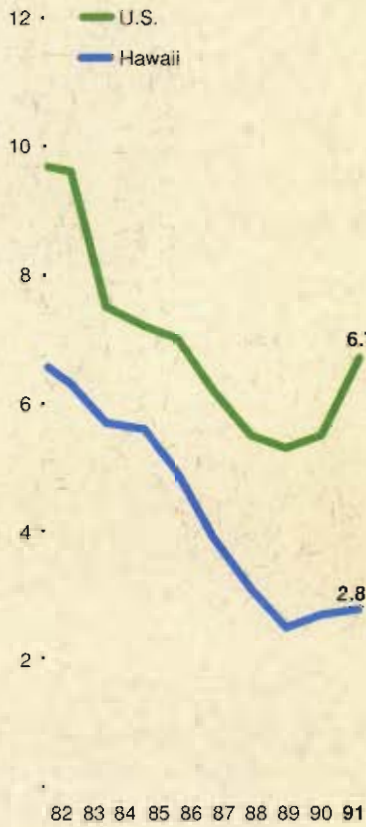


Cranes and reinforced concrete form a lattice at the new interisland terminal and parking facility under construction at Honolulu International Airport. Completion is planned for 1994 and will add 13 gates and parking for 1,800 vehicles.

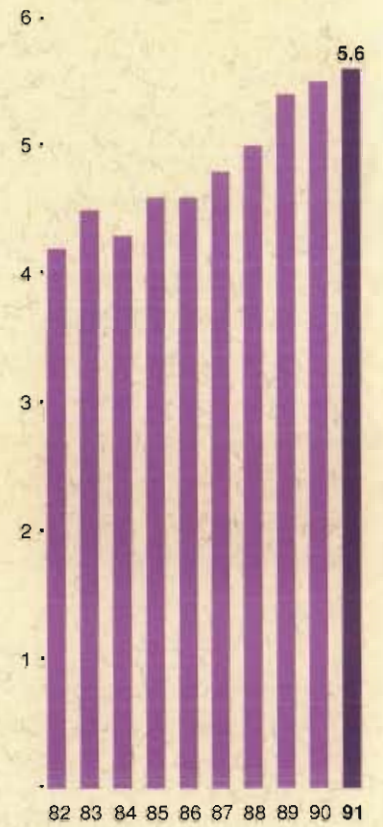
Visitor arrivals (mil) and dollars spent (\$ bil)



Unemployment rates (%) U.S. vs. Hawaii



Federal government spending (\$ bil)



Hawaii is headquarters for the U.S. Pacific Command. Military and civilian agencies employ about 33,000 throughout the state. In contrast to military base closings on the mainland, the defense presence in Hawaii is expected to increase in the future. Troops and certain ship-repair services may be reassigned here and to Guam because of the closure of U.S. bases in the Philippines.

Construction activity is plateauing at a high level after the hotel and resort boom of the late 1980s. The value of completed projects in 1991 is estimated at \$4.4 billion, an increase of about 7% from 1990. From 1985 to 1990, the value of completed construction projects increased more than 20% each year.

The mix of construction projects is shifting. Slower growth in large-scale private construction is expected to be offset by a backlog in public projects. The most significant ongoing projects are the expansion of Honolulu International Airport, valued at nearly \$2.5 billion, and a third freeway on Oahu, valued at about \$1 billion. Later in the decade, work is expected to begin on a 17-mile, light-rail transit system for Honolulu, estimated at \$1.7 billion. Development along the transit right of way could exceed \$1 billion.

Municipalities on neighbor islands have backlogs of many smaller projects.

High-profile hotel and resort construction slowed in 1991. Monetary and lending policies in the home countries of offshore investors changed, slowing foreign investment. Several large projects were completed, resulting in excess capacity concentrated in the upscale market.

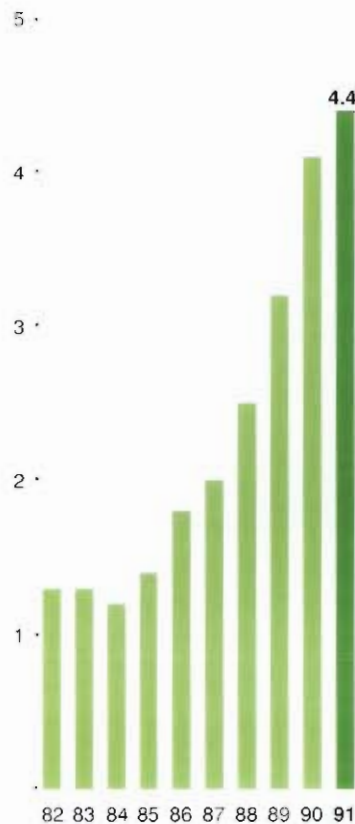
Although Japan and other offshore investors played a key role in Hawaii's private construction boom in the late 1980s, investors from Asia have accounted for no more than one-

quarter of Hawaii's total construction spending in any year.

Residential construction is expected to bolster private construction in the state by mid-decade. In the meantime, the statewide housing shortage remains chronic and residential vacancies are among the lowest in the nation. Single-family home and condominium prices are high, hovering at respective medians of about \$350,000 and \$200,000. The key to unlocking this pent-up demand is reform of highly restrictive land-use and permitting policies.

Hawaii's economic growth is clearly slowing from the unsustainably high rates of the late 1980s. Like others, the state is sensitive to national and global economic problems. Yet, as the contributions of nontourism industries grow, the state's economic stability should improve. Moreover, Hawaii's strategic, mid-Pacific location and unique beauty represent a magnet for future economic growth.

Construction spending (\$ bil)
Value of completed projects



Utility Company Operations

The company plans to invest an additional \$1 billion for generation, transmission and distribution facilities to meet load growth.



A generator armature, part of a 55-megawatt power unit at HECO's Waiau plant west of Honolulu, glows with special lighting as electrician Randy Whittington inspects the coils during routine maintenance.

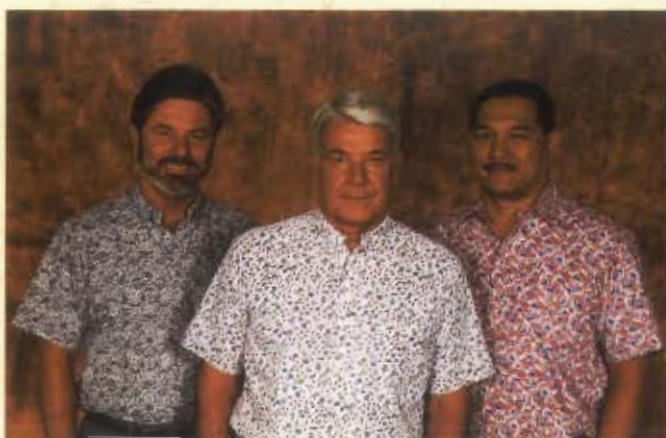
Hawaiian Electric Company

HEI's largest subsidiary, Hawaiian Electric Company (HECO), was founded in 1891 under the laws of the Kingdom of Hawaii. Today, HECO and its subsidiaries provide electric service to five islands — a service territory of 5,800 square miles and home to 95% of the state population. HEI's core utility business contributed 75% of 1991 operating income.

HECO has played a fundamental role in the growth and development of Hawaii. With the state's growing economy, the importance of that role is even greater. As HECO embarks on its second century of service to a unique market, the company and the state are poised for more growth.

New capital investments in utility systems are required to maintain reliable electric service. HECO is in the midst of a major construction cycle. Presently, HECO and its subsidiaries have about \$1.7 billion invested in plant and facilities. Over the next five years, the company plans to invest an additional \$1 billion for generation, transmission and distribution facilities to meet expected load growth. These capital expenditures will result in substantial rate base growth.

The challenges stemming from this growth are substantial. Over the five-year period, more than one-half of the \$1 billion must be raised in the debt and equity capital markets. Over the long term, electric rates must increase to pay for these



Harwood D. Williamson (center), HECO president and chief executive officer and HEI group vice president for utility company operations, with subsidiary presidents Thomas J. Jezierny (left), of Maui Electric Company, and Warren H. W. Lee, of Hawaii Electric Light Company.

system improvements. Comprehensive programs have been developed to communicate the reasons for these requested increases to customers and the Hawaii Public Utilities Commission (PUC).

1991 was a difficult year for HECO. Excluding an adjustment to unbilled revenues, consolidated kilowatthour sales for HECO and its subsidiaries were up just 1.5% due to the adverse effects on Hawaii tourism of the war in the Persian Gulf and U.S. mainland recession. From 1986 to 1990, consolidated sales increased at

an annual average rate of more than 4%.

Parts of the island of Oahu were blacked out for up to 12 hours on April 9. When one of four large transmission lines was down for routine maintenance, faults in two other lines caused HECO generators to shut down. A comprehensive investigation of the faults is continuing. The outage prompted seven business customers to file a lawsuit alleging class action status that seeks \$75 million in compensatory damages, plus unspecified punitive

Utility company profile for the years ended December 31

	1991*	1990	1989
Electricity sold — KWH (millions)	8,154	7,968	7,649
Revenues (millions)	\$741	\$707	\$606
Operating income (millions)	\$100	\$100	\$103
Net income (millions)	\$42	\$44	\$50
Gross plant (millions) **	\$1,701	\$1,564	\$1,444
Service area population (thousands)	1,062	1,057	1,049
Customer accounts **	357,046	346,417	339,839
Average annual residential use — KWH	7,427	7,416	7,318
Generating capability — MW **	1,780	1,601	1,605
Peak load — MW	1,446	1,408	1,359

* Includes the effect of the change in the method of estimating unbilled kilowatthour sales and revenues
 ** At December 31

The outlook for
HECO in 1992 and
beyond is brighter.



Massive 138-kilovolt transmission lines glisten in the morning sun along the windward ridges of Oahu's Koolau Mountains near Kaneohe.

damages. The outcome of the case, which has not gone to trial, cannot be predicted. However, management believes the case will not have a material effect on the company's financial condition.

And, a final decision in a 1990 test year rate case came much later than expected. Late in 1991, the PUC allowed a \$51 million increase in Oahu electric rates. Approximately \$47 million of the \$51 million had been granted previously in interim increases, almost all of which covered purchased power from Kalaheo Partners, L.P., owners of a 180-megawatt combined-cycle cogeneration plant west of Honolulu that came on-line in mid-1991. The commission allowed a 13% return on common equity. The \$82 million request had been pending since late 1989. This delay held down the year's earnings and contributed to lowered ratings of HEI and HECO debt and preferred stock. Lower ratings can lead to higher financing costs and restrict access to capital markets, making it more difficult for HECO to finance its large construction program.

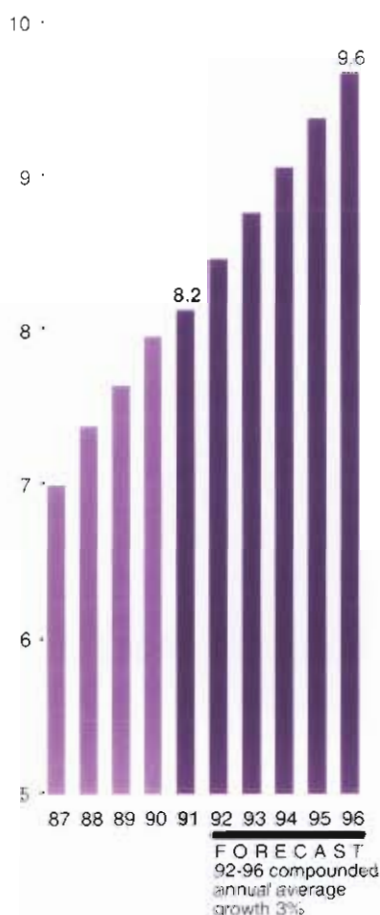
The outlook for HECO in 1992 and beyond is brighter. Electric sales are expected to grow at a more normal pace. Consolidated kilowatthour sales are projected to increase more than 3% per year over the next five years — faster growth than that forecast for most mainland electric utilities. System peak demand is forecast to grow at about the same

3% annual rate over the 1992-1996 period.

During that period, a need for approximately 400 megawatts of new power-generating capacity has been projected in the service territories of HECO and its subsidiaries. Most of that new capacity, 265 megawatts, is projected for Oahu, largely to supply developing suburbs on the plains west of the city of Honolulu.

In 1992, new generation requirements on Oahu will be pro-

Hawaiian Electric Company and subsidiaries KWH sales (bil)



vided by purchased power. AES Barbers Point, Inc. is building a 180-megawatt, clean-coal burning plant scheduled to go on-line late in the year. Plans call for HECO to build a 200-megawatt, combined-cycle unit on land HECO currently owns on Oahu. The first phase would come on-line in 1995, about the same time as the scheduled retirement of HECO's 116-megawatt Honolulu power plant. Over the next 15 years, the need for an additional 500 megawatts of power has been projected and a study is underway to identify a suitable plant site.

About 65% of the five-year, \$1 billion net capital expenditure program will support proposed transmission and distribution projects for HECO and its subsidiaries. Existing transmission and distribution systems span approximately 8,100 miles — 1,700 miles of transmission lines and 6,400 miles of distribution lines. On Oahu, planning continues on two new 138-kilovolt transmission lines between HECO's Waiuu power plant and Campbell Industrial Park. The 11-mile lines, which are expected to be completed in late 1994, will add a second transmission corridor to increase system reliability.

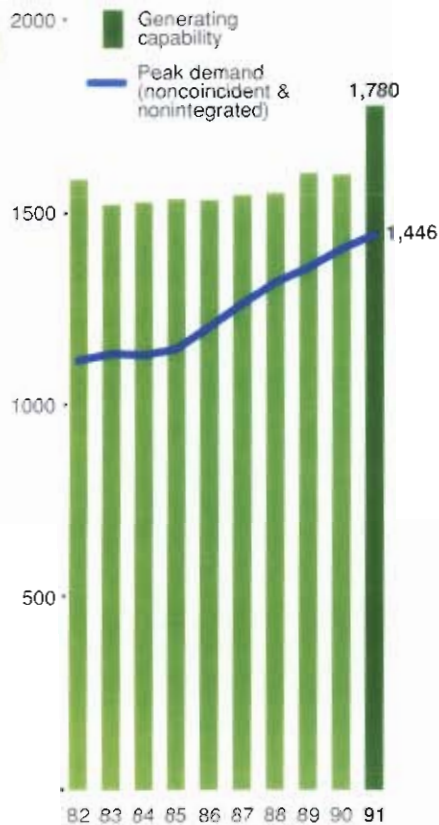
Three rate cases requesting a total of nearly \$164 million in additional annual revenue are pending with the PUC. The largest of the pending cases requests a five-step increase of \$138 million in annual revenue on Oahu. It is based on a

Kilowatthour sales are projected to increase more than 3% per year over the next five years — faster growth than forecast for most mainland utilities.



Framed by the silhouette of the Kahe power plant on Oahu, HECO linemen (left to right) Stephen Keith, Jason Sampang and Neil Munemitsu work on a transformer during a training exercise at sunset.

Hawaiian Electric Company and subsidiaries — all systems generating capability vs. peak demand (MW)



Low-sulfur coal to power generators will be carried up the long conveyor at the 180-megawatt plant owned by AES Barbers Point, Inc. HECO will purchase the power when the plant at Campbell Industrial Park west of Honolulu is completed in late 1992.

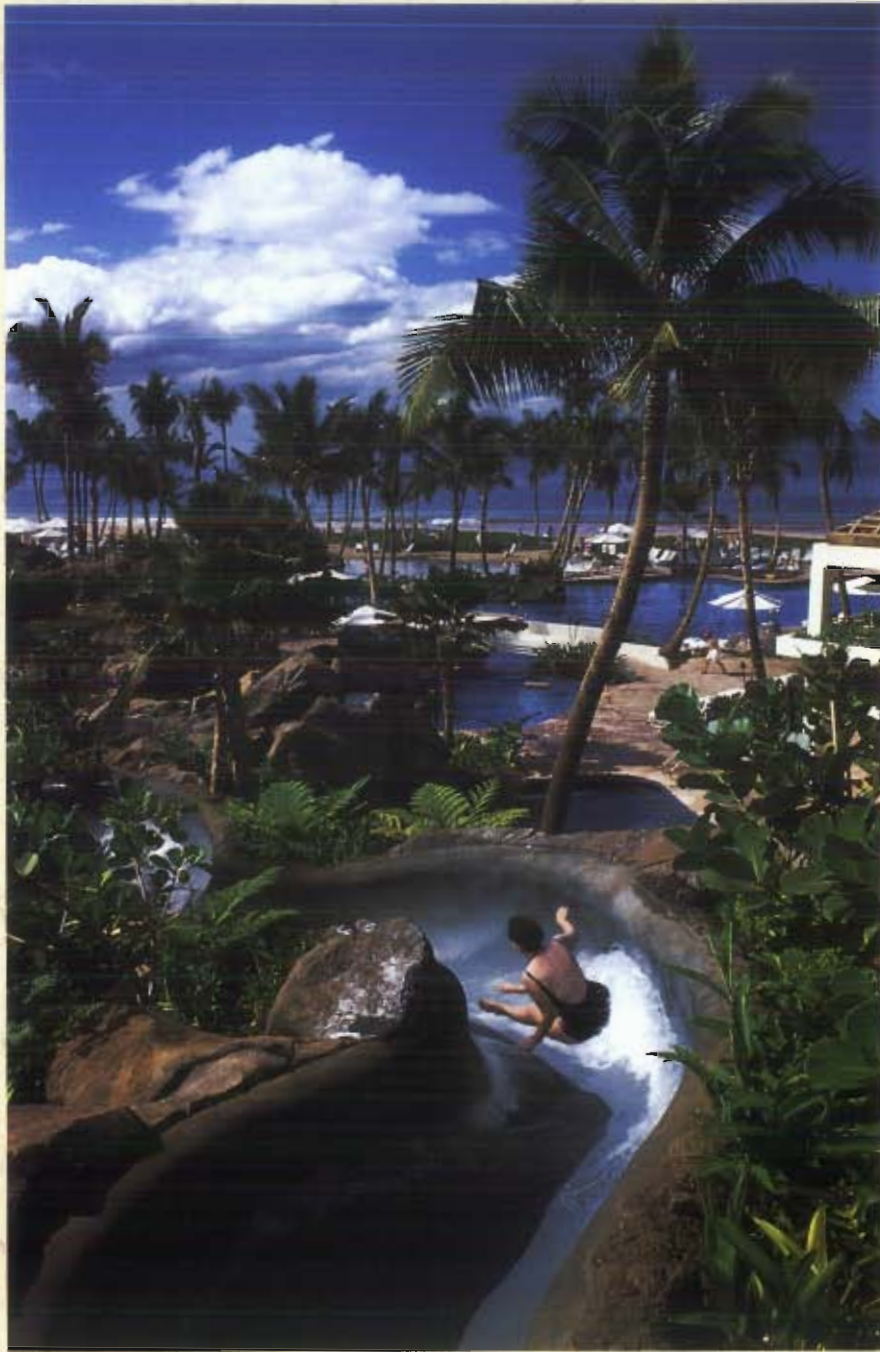
1992 test year and a 13.5% return on equity. The largest step is for about \$91 million to cover the costs of purchasing power from AES Barbers Point.

HECO has taken several steps which should contribute to expedited rate relief in the pending cases. The company has applied for phased rate relief. And, approval has been received for expedited schedules, which should make interim rate relief possible sooner than in recent cases.

HECO is aware of the critical need for adequate and timely rate

relief to support its five-year capital expenditure program. The company is pursuing additional means of enhancing the rate-setting process. Management believes these steps are in the best interests of HECO customers.

MECO plans to add approximately 82 megawatts of new generating capacity over the next five years.



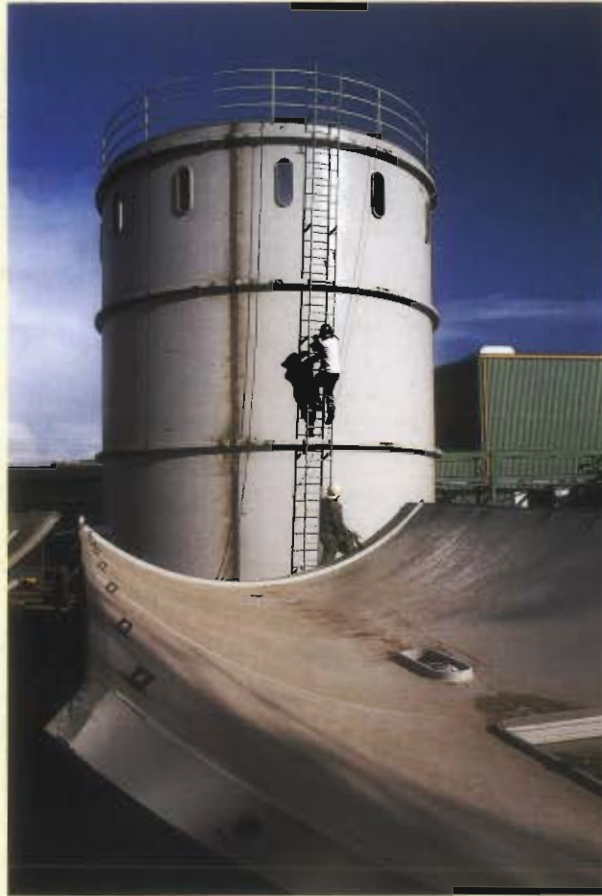
Electric pumps lift water for a twisting slide and a number of visitor attractions at the Grand Hyatt Hotel and Resort, Wailea, Maui.

Maui Electric Company

M Maui Electric Company (MECO) provides power to more than 48,000 customers on the islands of Maui, Molokai and Lanai. Acquired in 1968, MECO has installed capability of approximately 158 megawatts and purchases an additional 20 megawatts from nonutility generators.

Excluding an adjustment to unbilled revenues, MECO kilowatthour sales were up 6% in 1991 from 1990 levels, in part due to the opening of three resort hotels on Maui with a total of 1,600 rooms. Another large upscale resort hotel is under construction along Maui's western coast. However, the county government is slowing further hotel development until improvements can be made to roads, sewage and water systems.

To serve this growing demand for electricity, MECO plans to add approximately 82 megawatts of new generating capacity over the next five years. A two-phase program began in 1991 to add 56 megawatts at the Maalaea plant by 1993 at a cost of \$76 million. The first phase involves installation of a 20-megawatt combustion turbine. Installation of the turbine, which was slowed in 1991 by permitting delays, is expected to be completed in 1992. The second phase will add another 20-megawatt combustion turbine and a 16-megawatt



Final construction began in early 1992 on a 20-megawatt generator at Maui Electric Company's Maalaea plant.

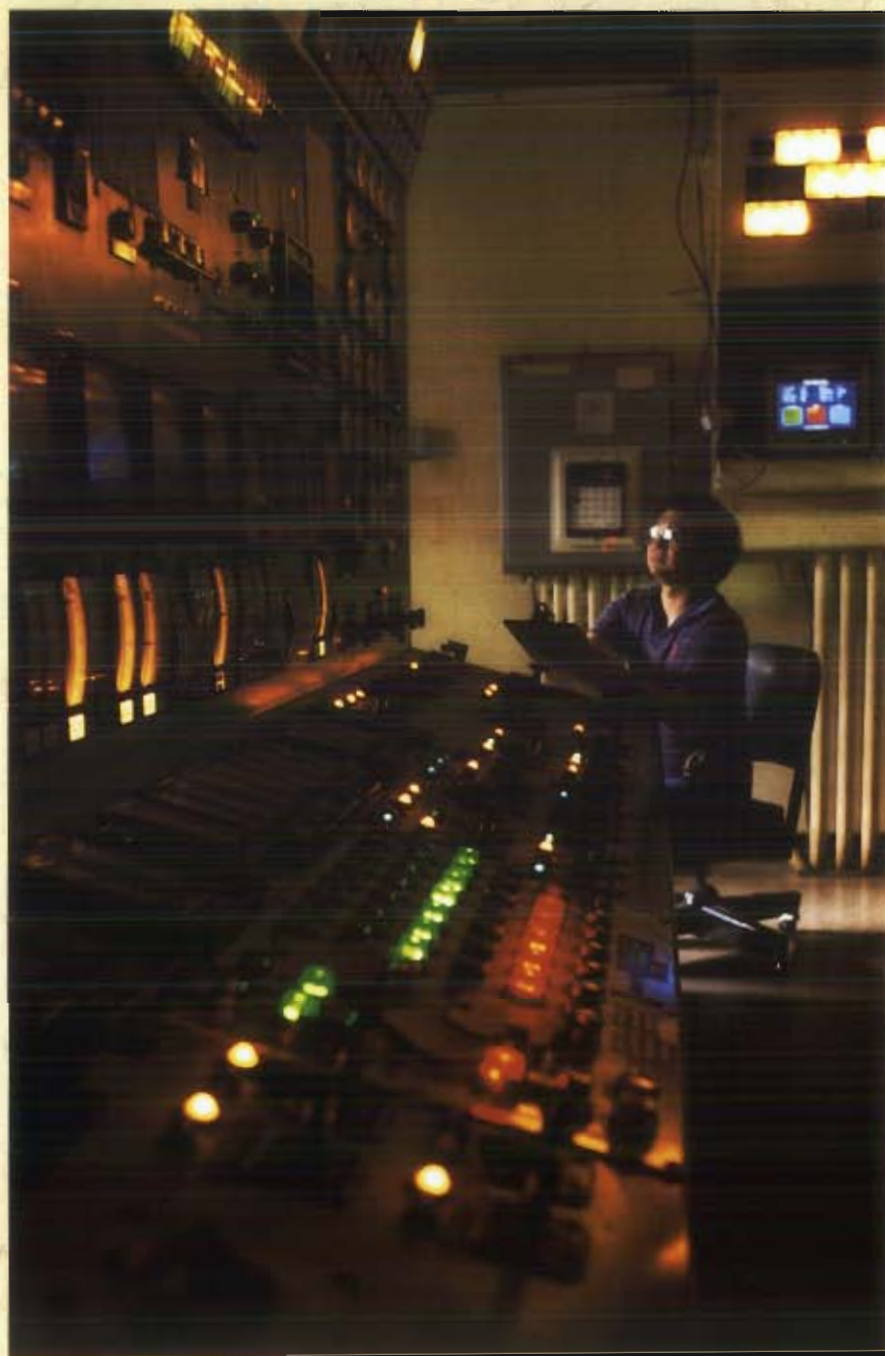
heat-recovery steam turbine in 1993. Two 69-kilovolt transmission lines are also planned to maintain reliability. Sites on Maui are being considered for generating unit expansion that would provide 240 megawatts of additional capacity after 1995 for the next 20 years.

In late 1991, MECO filed a request to increase rates by approximately \$18.3 million annually in several steps over 1992 and 1993 test years. Most of the proposed increase, MECO's first rate case since 1984,

reflects the costs of adding the 56-megawatt combined cycle unit. The requested return on common equity is 13.25%.

Delays in installing needed generating capacity on Maui reduced reserve margins in late 1991. At times of peak demand, MECO customers responded to requests to decrease electricity usage to reduce the possibility of rolling blackouts.

The Big Island's population and economy have grown steadily over the past decade.



HEI electric utility companies have 100 years of experience in purchasing power from sugar mills such as Hilo Coast Processing Co. (HCPC) on the island of Hawaii. Electricity is generated by burning sugar cane waste to create steam to power a turbine. An HCPC technician monitors power output from the 18-megawatt HCPC plant north of Hilo.

Hawaii Electric Light Company



Hawaii Electric Light Co. intends to buy power from the 25-megawatt Puna Geothermal Ventures plant when it comes on-line. The plant is eventually expected to produce 21% of power needs on the island of Hawaii.

Hawaii Electric Light Company (HELCO) provides power to about 53,000 customers on the island of Hawaii, a service territory of 4,000 square miles. Acquired by Hawaiian Electric Company in 1970, HELCO has installed capability of 134 megawatts of power and purchases an additional 28 megawatts from independent power producers.

The Big Island's population and economy have grown steadily over the past decade. More people took up residence here than on any island in the Hawaiian chain during the period. Since 1980, total households have increased 42% to approximately 41,500 from 29,200, and nonresidential construction has climbed 32%.

Excluding an adjustment to unbilled revenues, HELCO kilowatthour sales were up 5% in 1991 from 1990 levels, despite the adverse effects on Hawaii tourism of

the U.S. recession and war in the Persian Gulf.

To serve the growing demand for electricity, HELCO has built 706 miles of overhead and underground transmission and distribution lines since 1984 — 20% of its total transmission and distribution system. In 1992, HELCO plans to complete installation of a \$22 million, 20-megawatt combustion turbine near Hilo. A second 20-megawatt combustion turbine is planned to come on-line by mid-1994 at a cost of \$30 million.

In 1991, the Public Utilities Commission ruled on HELCO's rate-increase request based on a 1990 test year and the company filed a request for rate relief based on a 1992 test year. The PUC allowed \$5.7 million, or 57%, of the \$9.9 million increase request based on a 1990 test year. The decision also allowed a 13.1% return on common equity. The new filing

seeks a 13.5% return on equity and a \$7.5 million increase in annual rates, in part to cover the first of the two 20-megawatt combustion turbine additions.

HELCO purchases about 24% of its energy requirements from nonutility generators, primarily sugar mills. In 1992, the company expects to supplement current sources of purchased energy with geothermal-generated power. HELCO has contracted with Puna Geothermal Venture for up to 25 megawatts of capacity. In 1991, the first of two 69-kilovolt transmission lines to carry the geothermal power to the HELCO grid was completed. Delivery of geothermal power has been delayed by drilling and permitting problems. The delay, and HELCO and cogenerator equipment problems, contributed to a shortfall in generation and a number of outages on the Big Island during the year.

Diversified Company Operations

American Savings reported strong results in 1991 and remains one of the strongest savings banks in the nation.



Manager Claude Onizuka discusses a residential real estate loan with a customer at American Savings Bank's Kailua-Kona branch on the island of Hawaii. The office was expanded in 1991 to improve service.

American Savings Bank

The outlook is bright for American Savings Bank in 1992 and beyond. As the financial services industry consolidates in Hawaii and on the mainland, the bank's competitive position has been strengthened by policies focused on conservative management, strategic growth and improving service to retail customers.

Hawaiian Electric Industries diversified companies provided 25% of operating income in 1991. American Savings, the largest and most important diversified company, accounted for 77% of the group's contribution.

The second largest thrift and fourth largest financial institution in Hawaii, American Savings reported strong results in 1991 and remains one of the strongest savings banks in the nation. American Savings is a traditional savings and loan institution, collecting low-cost deposits and lending money primarily for single- and multi-family residential mortgages. Operating income was up 14% and assets increased 7% to \$2.2 billion. The bank is profitable, safe and growing.

A key indicator of American Savings' profitability is interest rate spread, or the difference between an institution's yield on earning assets and its cost of funds. In 1991's low interest rate environment, the bank's interest rate spread widened to 3.26% from 3.00% in 1990. Its ratio of net interest income to average assets, another measure of profitability, was more than 50% greater than the average ratio for thrifts nationwide.



Edward J. Blackburn (front center), group vice president of HEI diversified company operations, with subsidiary presidents (left to right) Charles O. Swanson, Hawaiian Tug & Barge Corp. and Young Brothers, Limited; Wayne K. Minami, American Savings Bank; Thomas S. Adams, Hawaiian Insurance Group; Alfred P. Manning, Hawaiian Electric Renewable Systems; and Harvey L. Coth, Malama Pacific Corp.

American Savings' consistent profitability is grounded in its solid low-cost "core" deposit base. At year-end, 49% of the bank's deposits were low-cost checking, savings and money market deposits, a much higher percentage than is found among mainland institutions. This low-cost

core deposit base will help keep American Savings' cost of funds down, even if interest rates begin to rise.

More than 75% of the bank's loan portfolio is residential mortgages, with an additional 10% in home equity consumer loans. The bank's delinquent loan ratio is well below the

Diversified company profiles for the years ended December 31

American Savings Bank	1991	1990	1989
Total interest income (millions)	\$189	\$171	\$143
Net interest income (millions)	\$64	\$52	\$40
Operating income (millions)	\$25	\$22	\$18
Net income (millions)	\$15	\$13	\$11
Loans receivable and mortgage-backed securities (millions) *	\$1,951	\$1,762	\$1,424
Total assets (millions) *	\$2,176	\$2,028	\$1,642
Deposits (millions) *	\$1,615	\$1,511	\$1,095
Real estate owned through foreclosure *	None	None	None
Delinquent loans to total loans outstanding *	0.74%	0.51%	0.29%
Interest rate spread	3.26%	3.00%	2.64%

Hawaiian Insurance Group

Net written premiums (millions)	\$77	\$74	\$61
Net premiums earned (millions)	\$75	\$68	\$60
Net investment income (millions)	\$15	\$11	\$11
Operating income (millions)	\$1	\$2	\$10
Statutory policyholders' surplus (millions) *	\$42	\$39	\$39
Statutory combined operating ratio	112.8%	107.3%	102.5%
Statutory premiums to surplus ratio	1.76	1.92	1.56
Number of policies in force *	62,617	62,798	60,656
A.M. Best rating *	A-	A	A-

* At December 31

The bank has had no real estate owned through foreclosure on its books since 1989.



A friendly smile and competitive financial services mean good business for American Savings loan interviewer Sherry Pozun, Kailua Kona branch.

average for Hawaii thrifts and significantly better than the ratio for all thrifts in the Federal Home Loan Bank 12th district. Less than \$1 million of American Savings' \$1.1 billion loan portfolio is more than 90 days delinquent. In sharp contrast to mainland institutions, the bank has had no real estate owned through foreclosure on its books since 1989. American Savings has superior asset quality because of stringent lending

standards and Hawaii's good real estate market.

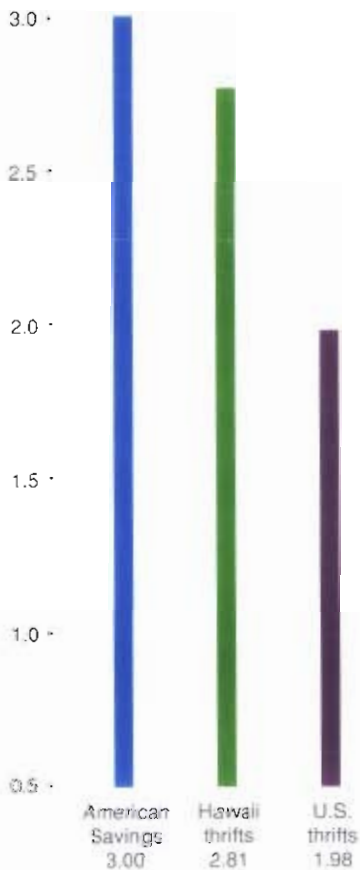
Mortgage refinancing surged in 1991 with the decline of interest rates to their lowest levels in about 15 years. Refinancing accounted for more than half of American Savings' total residential loan production during the year. Decisions by major landowners and actions by developers in late 1991 led to the conversion of about 3,000 condominiums from

leasehold to fee simple status. American Savings competed successfully for this business. The bank is financing about 30% of those owners who sought conversion loans.

The bank's capital position is another source of strength. American Savings exceeds every capital requirement imposed by the Office of Thrift Supervision.

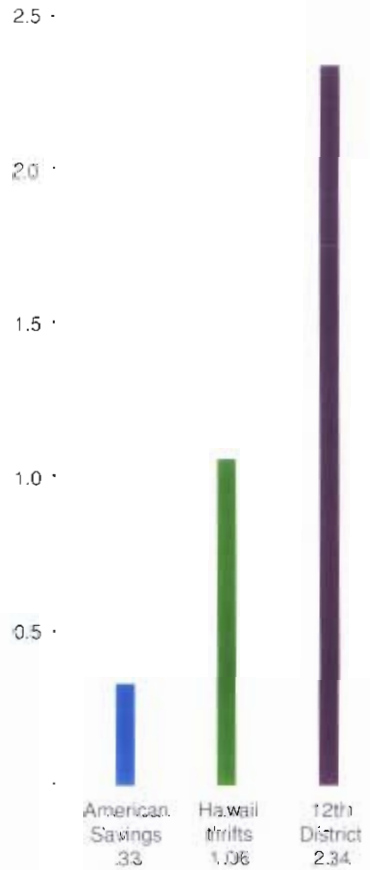
American Savings' 1990 acquisition of the Hawaii offices and

American Savings Bank net interest income/average assets (%)



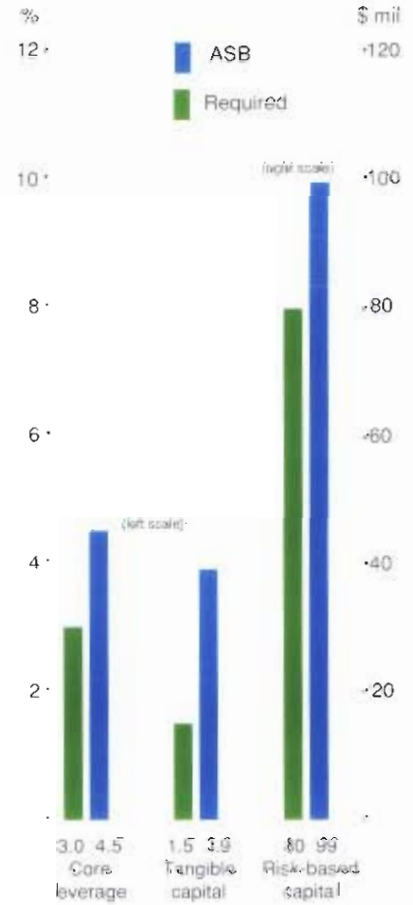
Source: Sheshunoff Information Services S&L Quarterly Rating & Analysis as of September 30, 1991

American Savings Bank delinquent loans/total assets (%)



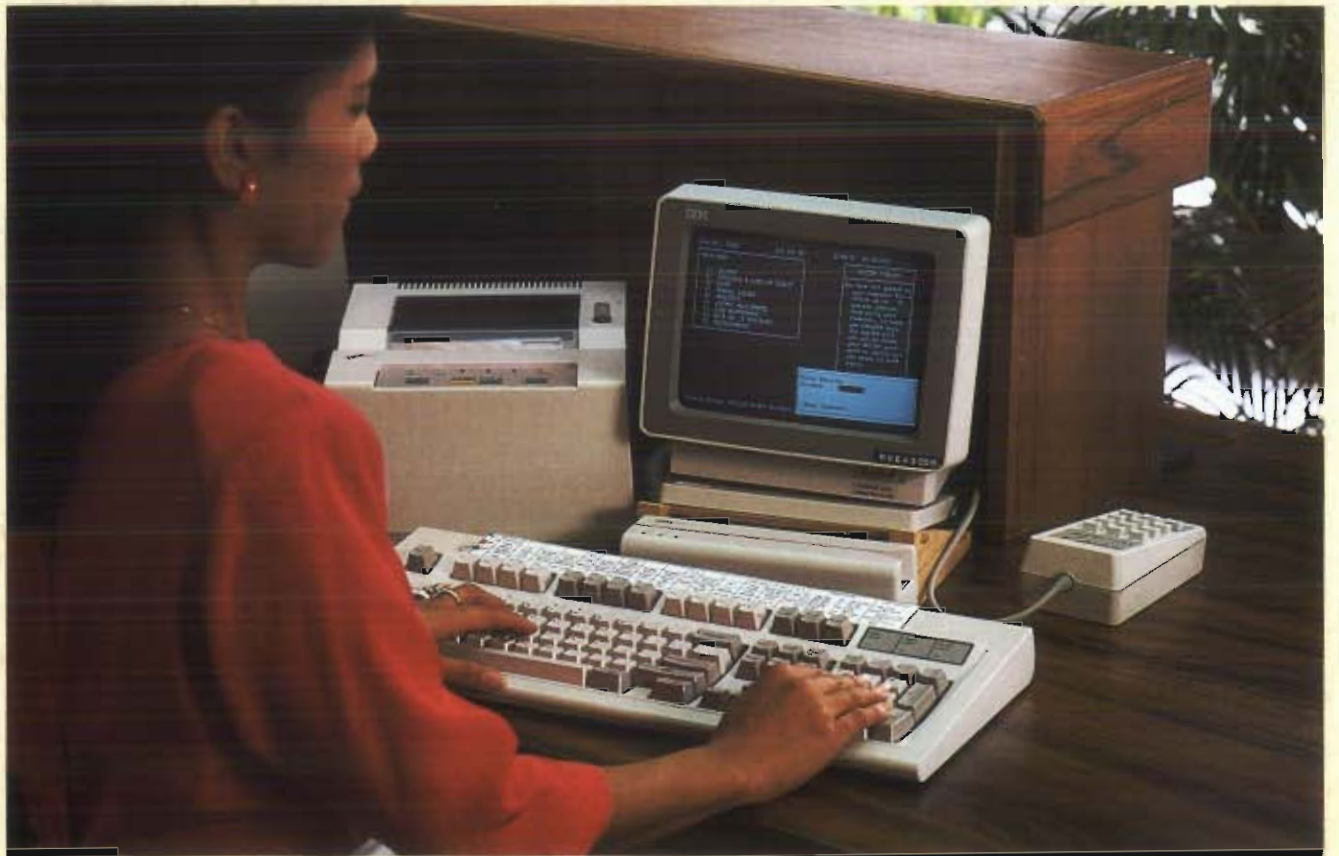
Source: Office of Thrift Supervision as of September 30, 1991

American Savings Bank regulatory capital



At December 31, 1991

American Savings
exceeds every capital
requirement of the
Office of Thrift
Supervision.



Customer service representative
Gloderia Takara, Richards Street branch,
Honolulu, gathers account information
from the new American Savings
teller terminal system that enhances
productivity and speeds transactions.

deposits of First Nationwide Bank exceeded profitability expectations. The additional nine offices also increased the bank's branch network to 45 and its presence in key areas throughout the state. Further, a high percentage of the experienced First Nationwide staff remained, an important asset in Hawaii's tight labor market.

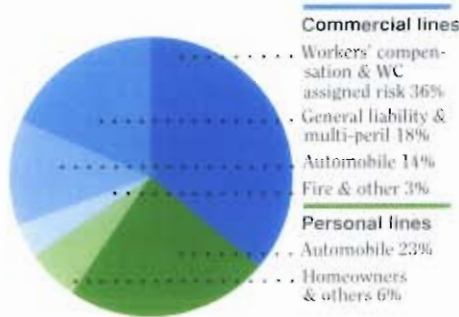
Convenient access to customer accounts was increased in 1991 with expansion of the bank's Money Express automated teller machine network to 43 machines. Money Express was linked during the year to the Plus System, the nation's largest ATM network with 50,000 machines nationwide including 300 in Hawaii.

Hawaiian Insurance Group

Hawaiian Insurance Group is among the state's five largest property and casualty insurers. Assets totaled \$214 million in 1991. The company provides workers' compensation, automobile, general liability, homeowners and fire coverage to about 63,000 commercial and individual customers solely in Hawaii through a network of 61 independent insurance agents and brokers. Hawaiian Insurance carries an A-minus (excellent) rating from A.M. Best, the insurance industry's leading rating agency.

Unlike some insurers on the mainland, Hawaiian Insurance has a strong investment portfolio with no high-yield ("junk") bonds or real estate. About 92% of the company's portfolio is invested in government

Hawaiian Insurance Group
1991 net premiums written (%)



securities and investment-grade corporate bonds. Net investment income of nearly \$15 million in 1991, versus \$11 million in 1990, helped to keep Hawaiian Insurance profitable.

Despite its solid foundation, Hawaiian Insurance did not meet performance expectations in 1991. Operating income was \$1.3 million, compared with \$1.6 million in 1990. Generally, premiums for commercial lines of business are inadequate. State approval to increase premium rates was delayed, partly due to implementation of a new rate filing methodology. The new method applies to all lines of insurance except automobile. While the new method led to an increase of Hawaiian Insurance's general liability premium rates in late 1991, the increase was granted six months later than first anticipated.

Largely because rates remained inadequate, Hawaiian Insurance curtailed growth in 1991. Net premiums written in 1991 totaled \$77 million, up 4% from 1990 compared with a 21% increase from 1989 to 1990.

The company's performance is expected to improve as premium increases are routinely processed under the new rate filing method. Higher premiums for workers' compensation and personal automobile coverages — the company's two largest lines of business — are expected to take effect by mid-1992. In the meantime, Hawaiian Insurance is monitoring new growth closely and business development efforts will focus on larger commercial accounts for which rates are negotiated.

Hawaiian Tug & Barge Corp. and Young Brothers, Limited

Hawaiian Tug & Barge (HTB) provides tug assist, towing and charter barge services in Hawaii and the Pacific. Young Brothers delivers general freight and containerized cargo between the Hawaiian islands, and is regulated by the Hawaii Public Utilities Commission. The companies operate a fleet of 13 tugs and 17 barges, have combined assets of \$60 million and generated 4% of operating income in 1991.

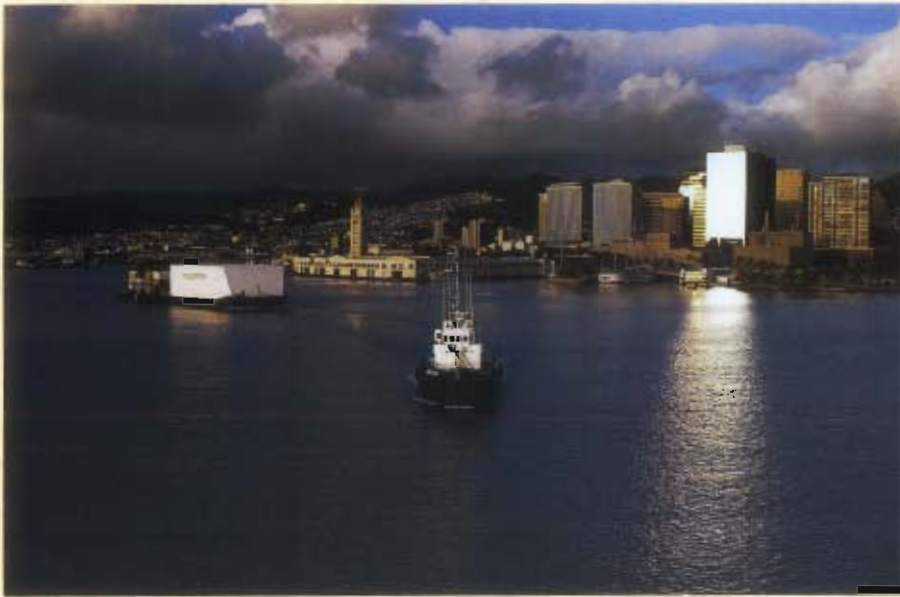
For two years, HTB operations have been hampered by heavy weather damage to equipment, unusual supplemental insurance premium payments, increased competition and marginal pricing. In 1991, HTB sold its bunkering barge and did not renew certain marginally profitable contracts.

Despite a 1% decline in cargo moved to 3.1 million revenue tons, Young Brothers met its 1991 financial

Hawaiian Insurance Group's performance is expected to improve as premium increases are routinely processed under the new rate filing method.



Frank Merritt, (right) Hawaiian Insurance loss control manager, discusses customer service with client Stan Takashima of Bacon-Universal Company, a Honolulu-based construction equipment rental firm, and Marsh & McLennan commercial broker Rob Declene.



One of Young Brothers' new 3,900-horsepower tugs churns out of Honolulu Harbor in late afternoon, towing a barge laden with cargo for the neighbor islands.

goals. During the year, scheduled freight service to the island of Lanai was added and two new 3,900-horsepower tugs were put in service, marking a milestone in the company's long-term program to upgrade its fleet, shoreside equipment and towing capability.

Emphasis continues on handling more containerized and consolidated freight to enhance efficiency. Operations and maintenance responsibilities for both companies were reorganized and consolidated under a single manager in 1991.

Malama Pacific Corp.

Malama Pacific was formed in 1985 and develops residential homes and lots through joint ventures. The projects are targeted for Hawaii's owner-occupant market where a chronic housing shortage exists largely due to long lead times to

obtain zoning and building permits and other approvals.

The first homes were sold by the joint ventures in 1990. Homes or lots completed and sold in 1991 totaled 235. Work is in progress on approximately 550 homes or lots and about 500 acres are held for future development.

Hawaii's residential real estate market has been affected by the national recession and housing sales have slowed despite interest-rate declines. Buyers are waiting for further cuts and consumer confidence remains low. Some prices are declining, with more reductions at the high end.

Hawaiian Electric Renewable Systems

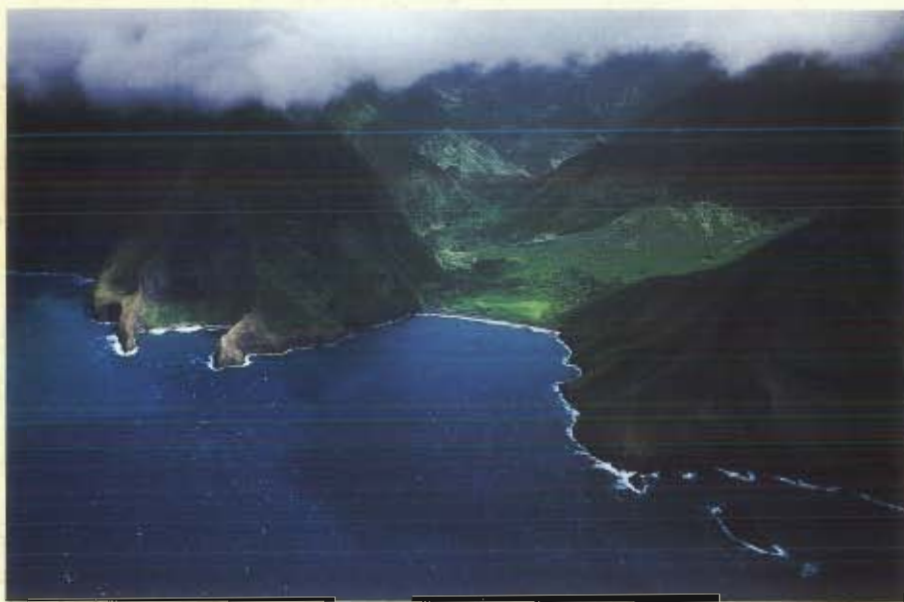
Hawaiian Electric Renewable Systems (HERS) was formed in 1985 to develop wind power and other alternate energy sources to help

reduce the state's dependence on fossil fuels. The company has operated up to 244 wind turbines with a combined rated capacity of 17.5 megawatts at three sites on the islands of Oahu and Hawaii.

HERS has encountered problems since its formation. Its windfarms have rarely operated at more than 20% of system capacity on an annual basis, compared with the 30% achieved by California farms. Some HERS turbines were shut down for 17 months during 1990 and 1991, and one farm was dismantled in late 1991. Other turbines are being modified to operate more efficiently at lower wind speeds.

Nevertheless, HEI remains committed to finding ways to reduce Hawaii's dependence on oil for energy.

Community Relations



The Nature Conservancy of Hawaii works with scientists and others to identify rare natural areas, such as Molokai's Pelekunu Valley, site of the tallest sea cliffs in the world and one of the few uninterrupted streams in the state. These areas are acquired by gift, exchange, purchase, easement or other agreement, and then maintained as public trusts. HEI contributions and employee volunteers help to support the organization.

Hawaiian Electric Industries' commitment to responsible corporate citizenship is more than an abstract principle.

It is demonstrated every day by the people of HEI through their involvement in and contributions to a wide range of activities that are helping to improve the quality of life throughout Hawaii.

Through the HEI Charitable Foundation, the company contributed \$1 million in 1991 to more than 150 qualified nonprofit organizations in the state. Since its formation in 1984, the foundation has contributed \$5 million to nonprofit organizations in five categories — education, culture and arts, social welfare, health and rehabilitation, and youth services.

Support of education is one of HEI's priorities. In 1990, the foundation embarked on a plan to increase grants for education to 35% of total contributions by 1996. Education's

share of 1991 contributions was 29%, up from 26% a year earlier. In addition, the foundation matched employee donations to colleges and universities in Hawaii and on the mainland.

Environmental education programs receive special funding emphasis. A 1991 grant helped to fund a series of training sessions by the Hawaii office of the National Audubon Society on the threat from brown tree snakes, a destructive pest with no natural predators in Pacific island environments. A few of the snakes, which are devastating property and wildlife on Guam, have been found in Hawaii.

The company's support of the United Way is strong. Foundation and employee giving increased to \$760,011 in 1991, or 3.5% of the \$21.8 million raised by Hawaii United Ways. HEI seeks to fund organizations, such as United Way, that are

especially efficient at employing contributions. Other contribution guidelines may be obtained by writing to the HEI office of community relations.

HEI's commitment to the vitality of Hawaii communities is measured in more than dollars. Hundreds of employees at every level in the HEI family of companies volunteer for countless fund-raising and nonprofit activities. The Hawaiian Electric Company Community Action Group spearheads many projects through a partnership with the International Brotherhood of Electrical Workers. Volunteer teams used donated material and equipment from other unions to improve Waianae Coast Comprehensive Health Center and the Palama Settlement on Oahu.

Selected Financial Data

Hawaiian Electric Industries, Inc. and subsidiaries, years ended December 31.

(dollars in thousands, except per share amounts)

	1991	1990	1989	1988*	1987*
Results of operations					
Revenues	\$1,083,841	\$1,010,765	\$884,115	\$732,716	\$635,086
Net income	\$54,826	\$43,602	\$64,075	\$55,008	\$37,809
Earnings per common share	\$2.40	\$2.02	\$3.06	\$2.90	\$2.20
Return on average common equity	10.0%	8.7%	13.5%	13.8%	11.4%
Financial position (December 31)					
Total assets	\$3,904,517	\$3,673,857	\$3,130,310	\$2,683,217	\$1,279,201
Deposit liabilities	\$1,615,361	\$1,511,291	\$1,094,558	\$964,640	—
Advances from Federal Home Loan Bank	\$258,593	\$205,716	\$253,410	\$211,432	—
Long-term debt	\$539,976	\$477,763	\$444,846	\$432,386	\$374,175
Preferred stock of electric utility subsidiaries:					
Subject to mandatory redemption	\$50,665	\$52,210	\$53,655	\$24,050	\$25,250
Not subject to mandatory redemption	\$36,293	\$36,293	\$36,293	\$36,293	\$36,293
Stockholders' equity	\$581,446	\$510,543	\$493,014	\$453,985	\$342,913
Common stock data					
Book value per common share (year end)	\$24.36	\$23.29	\$23.18	\$21.95	\$19.59
Market price range per common share:					
High	\$37.88	\$40.00	\$40.25	\$33.63	\$34.25
Low	\$29.38	\$27.25	\$29.38	\$25.88	\$22.25
Year end	\$36.75	\$31.63	\$40.25	\$29.63	\$25.88
Market price to book value per common share (year end)	151%	136%	174%	135%	132%
Price earnings ratio (year end)	15.3	15.6	13.2	10.2	11.8
Dividends per common share	\$2.21	\$2.17	\$2.07	\$1.95	\$1.83
Dividend payout	92.0%	107.2%	67.6%	67.5%	83.2%
Shares outstanding (thousands):					
Weighted average	22,882	21,559	20,960	18,984	17,208
Geographic distribution of ownership (year end):					
State of Hawaii	6,399	6,100	5,610	5,565	5,985
Other	17,468	15,818	15,656	15,116	11,519
Total shares outstanding	23,867	21,918	21,266	20,681	17,504
Stockholders by geographic distribution (year end):					
State of Hawaii	20,441	18,053	17,350	16,793	13,128
Other	15,598	13,883	13,946	13,544	11,757
Total stockholders	36,039	31,936	31,296	30,337	24,885

* The Company acquired American Savings Bank, F.S.B. on May 26, 1988 and The Hawaiian Insurance & Guaranty Company, Limited on June 8, 1987.

Business Group and Segment Financial Information

Hawaiian Electric Industries, Inc. and subsidiaries, years ended December 31.

(in thousands)	1991	1990	1989
Revenues			
Electric utility	\$ 740,632	\$ 707,085	\$ 605,993
Financial services			
Savings bank	198,776	180,513	153,507
Insurance	89,536	80,078	70,965
Other (includes investment writedowns of \$12,577 in 1990).....	54,897	43,089	53,650
	<u>\$ 1,083,841</u>	<u>\$ 1,010,765</u>	<u>\$ 884,115</u>
Operating income (loss)			
Electric utility	\$ 100,256	\$ 99,758	\$ 100,270
Financial services			
Savings bank	25,215	22,042	17,037
Insurance	1,328	1,614	10,042
Other (includes investment writedowns of \$12,577 in 1990).....	4,434	(7,119)	9,310
	<u>\$ 131,233</u>	<u>\$ 116,295</u>	<u>\$ 136,659</u>
Depreciation and amortization of property, plant and equipment			
Electric utility	\$ 49,005	\$ 45,165	\$ 41,183
Financial services			
Savings bank	2,466	1,941	1,832
Insurance	349	321	205
Other	6,518	6,129	5,289
	<u>\$ 58,338</u>	<u>\$ 53,556</u>	<u>\$ 48,509</u>
Capital expenditures			
Electric utility (including allowance for equity funds used during construction)	\$ 145,898	\$ 127,408	\$ 126,487
Financial services			
Savings bank	5,099	3,328	1,393
Insurance	256	532	597
Other	10,486	9,778	16,929
	<u>\$ 161,739</u>	<u>\$ 141,046</u>	<u>\$ 145,406</u>
Identifiable assets (December 31)			
Electric utility	\$ 1,318,023	\$ 1,250,142	\$ 1,127,088
Financial services			
Savings bank	2,175,789	2,028,222	1,641,578
Insurance	213,885	189,908	180,540
Other	196,820	205,585	181,104
	<u>\$ 3,904,517</u>	<u>\$ 3,673,857</u>	<u>\$ 3,130,310</u>

For a description of each business group and segment, see Note 2, "Business group and segment financial information" in the "Notes to Consolidated Financial Statements."

Management's Discussion and Analysis

The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes.

Results of operations

Consolidated

Hawaiian Electric Industries, Inc.'s (HEI) earnings per share were up in 1991, in comparison with 1990, primarily due to the adverse effects of investment writedowns of \$11.7 million in 1990 and strong operating results at American Savings Bank, F.S.B. (ASB) in 1991. Excluding the 1990 investment writedowns, earnings per share for 1991 would have been 6.3% lower than in 1990. Many factors affected HEI's results of operations for 1991, including Hawaii's regulatory and economic environments. The electric utility and insurance companies waited for needed rate relief, and many of the Company's subsidiaries were affected by the Gulf war and the recession on the U. S. mainland, both of which adversely affected the Hawaii tourism industry. After the Gulf war ended, however, tourism rebounded and Hawaii's economy avoided the recession experienced on the U. S. mainland. HEI continues to face challenges in 1992, including the need to obtain timely and adequate rate relief, an uncertain real estate market and moderation in Hawaii's economic growth as construction activity slows and the economic recovery in the U.S. mainland is prolonged. In the longer term, the Company expects Hawaii's economy to outperform the national economy. By providing essential

services in Hawaii, the Company believes it is well positioned to take advantage of the long-term growth in Hawaii's economy.

Earnings per common share were \$2.40 for 1991, \$2.02 for 1990 and \$3.06 for 1989. The average number of common shares outstanding increased by 6.1% in 1991, 2.9% in 1990 and 10.4% in 1989. Included in 1991 results is the \$3.8 million net income effect of Hawaiian Electric Company, Inc. (HECO) and its subsidiaries' change in the method of estimating unbilled kilowatthour sales and revenues. Included in 1990 results are investment writedowns of \$11.7 million, net of taxes, by HEI Investment Corp. (HEIIC). These investments were sold in 1991. Excluding the investment writedowns in 1990, earnings per share for 1991 would have been \$0.16 lower than 1990, primarily due to lower earnings at HECO, caused largely by the lack of timely and adequate rate relief. Earnings per share would have been \$2.56 for 1990, excluding the investment writedowns, \$0.50 or 16% less than in 1989.

Consolidated net income for 1991 was \$54.8 million, compared with \$43.6 million for 1990 and \$64.1 million for 1989. In 1991, the savings bank and the "Other" segment had higher earnings than in 1990. The 26% increase in the Company's 1991 net income was attributable to the adverse effects of HEIIC's 1990 writedowns. Excluding the 1990 writedowns, 1991 net income declined 0.9%, due to lower earnings from the electric utility, insurance, real estate and alternate energy companies. In 1991, the electric utility and insur-

ance companies waited for needed rate relief, the real estate company was faced with a slowdown in the market, and the alternate energy companies continued to face operating difficulties.

In 1990, all segments had lower earnings than in 1989, except the savings bank. Contributing to the 32% decline in net income in 1990 were HEIIC's investment writedowns, the insurance company's losses due to the lava flow on the island of Hawaii and worsening loss ratios, the freight transportation companies' higher repairs and maintenance expenses and insurance premium calls, and wind damage and equipment problems at the windfarms.

Consolidated net income in 1989 reflected strong performances by both the electric utility and diversified operations.

Consolidated revenues were \$1.1 billion for 1991, \$1.0 billion for 1990 and \$0.9 billion for 1989. The 7.2% increase in 1991 was due to higher revenues from all business groups. Electric utility revenues were 4.7% higher in 1991 due to rate relief and kilowatthour sales growth of 1.5%. Increased interest income from ASB reflected a higher level of earning assets primarily due to the October 1990 acquisition of the Hawaii operations of First Nationwide Bank (FNB), offset by a 38 basis points lower weighted average yield. The 14% increase in 1990 consolidated revenues was due to higher revenues from the electric utility and financial services business groups. Electric utility revenues were 17% higher in 1990, mainly as a result of increased fuel oil prices, which are passed

through to customers, and higher kilowatt-hour sales. Increased interest income at ASB reflected a higher level of earning assets and higher yields. The 21% increase in 1989 consolidated revenues was due to higher revenues from all business groups, including the first full year of revenues from ASB, acquired in May 1988.

Operating income increased 13% to \$131 million in 1991, compared with \$116 million in 1990 and \$137 million in 1989. The increase in 1991 was primarily due to the prior year's investment writedowns by HEIIC, higher operating results at ASB and Hawaii Electric Light Company, Inc. (HELCO), which obtained final rate relief in March, and the effect of the change in the method of estimating unbilled kilowatt-hour sales and revenues. The decrease in 1990 operating income was primarily due to the unfavorable operating results of The Hawaiian Insurance & Guaranty Company, Limited (HIG) and HEIIC.

Interest expense related to the nonfinancial services companies was \$44 million in 1991, \$41 million in 1990 and \$43 million for 1989. The 5.9% increase in 1991 interest expense was primarily due to higher electric utility borrowing levels in 1991. The 4.1% decrease in interest expense in 1990 was due in part to the repayment of a \$25 million note in late 1989.

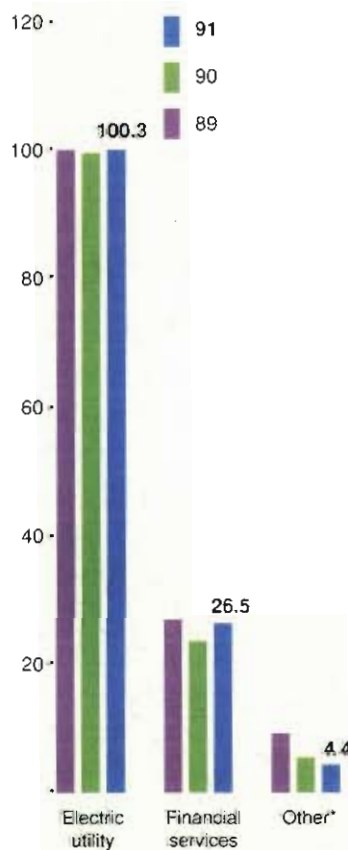
The effective tax rate on income before income taxes was 35%, 40% and 31% in 1991, 1990 and 1989, respectively. The effective tax rate was higher in 1990 than in 1991 and 1989 due largely to the HEIIC investment writedowns in 1990, most of which were not deductible in determining income taxes. Also, the effective tax rate was relatively low in 1989 due to

the utilization of capital loss carryforwards from 1987.

Dividends paid per common share increased 1.8% in 1991 to \$2.21, compared with \$2.17 and \$2.07 in 1990 and 1989, respectively. For the past 28 years, dividends paid per share each year were higher than the previous year.

Following is a general discussion of revenues, expenses and operating income by business segment. Segment information is also shown in "Business Group and Segment Financial Information" on page 30 and Notes 2, 3, 4 and 5 in the "Notes to Consolidated Financial Statements."

Operating income by business group (\$ mil)



*Excludes investment writedowns of \$12.6 million in 1990

Electric utility

Electric utility revenues were \$741 million for 1991, \$707 million for 1990 and \$606 million for 1989. The 4.7% increase in 1991 revenues over 1990 was largely attributable to rate increases granted by the Public Utilities Commission of the State of Hawaii (PUC), primarily to permit HECO to recover the cost of power purchased from an independent power producer, and higher kilowatt-hour sales of electricity. The increase was tempered by lower fuel oil prices, which are passed through to customers. The electric utilities paid an average of \$22.79 per barrel of fuel oil in 1991, compared with \$24.82 in 1990 and \$20.16 in 1989. The rate schedules of the electric utility companies contain fuel adjustment clauses under which electric rates are adjusted for changes in the prices paid for fuel oil and certain components of purchased power.

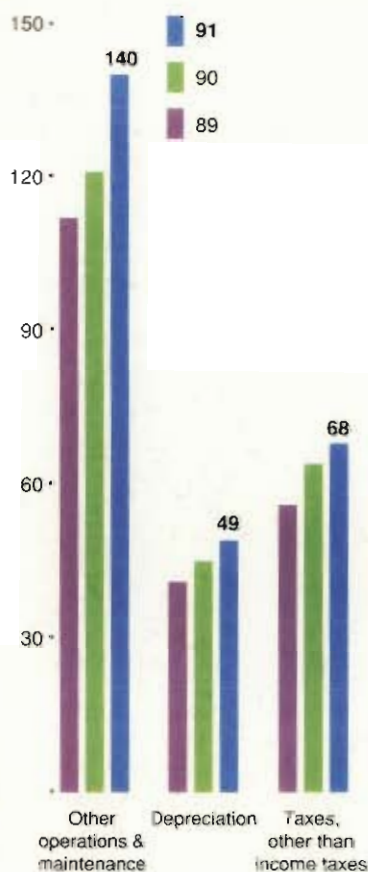
1991 consolidated sales of electricity, excluding the effect of the change in method of estimating unbilled kilowatt-hour sales, were 8,090 million kilowatt-hours, up 1.5% over 1990 sales. The relatively low sales growth in 1991 reflects the departure of troops to the Middle East in early 1991 and a decline in tourism due to the Gulf war and the recession on the U.S. mainland. In 1990 and 1989, the electric utility companies recorded higher kilowatt-hour sales growth due

to the state's strong economy.

Kilowatthour sales grew 4.2% in 1990 and 3.6% in 1989.

Operating income from the electric utility companies was \$100 million for 1991, comparable to 1990. The effect of the increase in 1991 kilowatthour sales was offset by higher other operations and maintenance expenses and by higher depreciation expense as a result of higher plant additions. The slight decrease in operating income in 1990, despite increases in kilowatthour sales and some interim rate relief, was primarily the result of higher other operations expenses, higher depreciation expense and more generating unit overhauls.

Hawaiian Electric Company and subsidiaries major expenses* (\$ mil)



*Other than fuel oil & purchased power

Electric utility rate matters

The PUC has broad discretion in its regulation of the rates charged by the Company's utility subsidiaries. Any adverse decision by the PUC concerning the level or method of determination of utility rates, the authorized returns on equity or other matters, or any delay in rendering a decision in a rate proceeding, could have a material effect on the Company's financial condition and results of operations. The PUC is required to issue an interim decision in a rate case within 10 months from the date of filing a completed application (subject to extension for 30 days), upon the showing of probable entitlement. However, there is no time limit for rendering a final decision.

Recent rate decisions

HECO. On October 17, 1991, HECO received a final decision and order from the PUC on its December 1989 application for an \$82 million increase in electric rates, based on a normalized 1990 test year and a stipulated fuel adjustment clause modification. The decision and order granted an increase of \$51 million in annual revenues, or approximately 9.8%, effective October 25, 1991, and approved the requested fuel adjustment clause modification. Approximately \$46 million of the rate increase was granted on a timely basis in an earlier interim order to permit HECO to recover firm capacity and nonfuel energy payments associated with the Kalaeloa Partners, L.P. power purchase agreement. The PUC based its decision on a 13.0% return on common equity.

Although the PUC's final decision and order granted approximately

\$31 million less in additional annual revenues than requested by HECO, some of the amounts disallowed will have little or no impact on HECO's results of operations and some of the issues will be reevaluated by the PUC in the future. For example, the PUC disallowed approximately \$9.6 million in annual revenues to cover changes in accounting policies which would have increased postretirement benefits expense and depreciation expense. These changes in accounting policies will not be implemented at this time because revenues to cover them were not granted. The PUC has stated its intention to examine these issues in future proceedings.

HELCO. On March 6, 1991, HELCO received a final decision from the PUC on its July 1989 application for a \$9.9 million increase in electric rates, based on a normalized 1990 test year and a stipulated fuel adjustment clause modification. The decision, as modified effective April 5, 1991, granted a total increase of \$5.7 million and approved the requested fuel oil clause modification. The PUC based its decision on a 13.1% return on common equity. The major reason the increase was less than the amount requested was the PUC's decision not to approve in that proceeding the accounting changes which HELCO had proposed with respect to depreciation and postretirement benefits other than pensions.

Pending rate requests

HECO. On July 29, 1991 (before the final decision and order previously described was issued on HECO's December 1989 rate increase application), HECO applied to the PUC for permission to increase electric rates, based on a 1992 test year. The rates requested would provide approximately \$138 million in annual revenues over the revenues provided by rates in effect at the time of the filing. This request is based on a 13.5% return on common equity. Of the \$138 million increase, \$91 million is to cover firm capacity and nonfuel energy payments associated with the power purchase contract with AES Barbers Point, Inc. (AES-BP) when the AES-BP facility becomes operational, which is currently scheduled for September 1992. The remainder of the requested rate increase is to cover increasing costs for labor and other operating expenses (including postretirement benefits other than pensions) and substantial increases in investment in utility plant and equipment. HECO has requested that the rate increase, based on a normalized 1992 test year, take effect in steps during 1992 and 1993, with the bulk of the increase coming when the AES-BP facility becomes operational.

HELCO. On July 31, 1991, HELCO applied to the PUC to increase rates on the island of Hawaii by \$7.5 million a year, or 7.5% over rates currently in effect. The request is based on a 13.5% return on common equity. The rate increase would cover the annual costs for a 20-megawatt combustion

turbine scheduled to go into service in 1992 to meet increasing demand, as well as to cover the annual costs for additional investments in plant and equipment and increasing costs for labor and other operations and maintenance expenses (including postretirement benefits other than pensions).

MECO. On November 13, 1991, Maui Electric Company, Ltd. (MECO), the electric utility serving the islands of Maui, Lanai and Molokai, applied to the PUC to increase rates by approximately \$18.3 million annually, or an average of 17%, in five steps during 1992 and 1993. The request is based on a 13.25% return on common equity. Most of the proposed increase is to cover the costs of adding a 56-megawatt combined-cycle generating unit on Maui in three phases during 1992 and 1993 to meet growing demand for electricity.

HECO outage

On April 9, 1991, HECO experienced a power outage that affected all customers on the island of Oahu. See "HECO power outage" under Note 3 in the "Notes to Consolidated Financial Statements" for a discussion of HECO's contingent liabilities related to the outage.

Environmental regulations

The entire electric utility industry is being affected by the Clean Air Act, first enacted in 1963 and amended in 1967, 1970, 1977 and 1990. In November 1990, Clean Air Act Amendments were signed into law by President Bush. Hawaii is exempt from the acid rain provisions of the

1990 amendments, but HECO and its subsidiaries will be affected by the air toxics provisions and by the requirement that all existing generating facilities receive permits. However, a special provision provides in effect that regulation of air toxics for electric utilities will occur only after a study by the Environmental Protection Agency (EPA), and then only if the EPA finds that regulation is warranted. New permitting procedures will involve application fees and will relate the fees to unit emissions. The EPA must implement these procedures through regulations. Until the EPA adopts regulations in these areas and the State establishes its plan to implement these requirements, the magnitude of the financial impact on Hawaii's electric utility companies remains uncertain.

Financial services

Savings bank. ASB's revenues totaled \$199 million in 1991, compared with \$181 million in 1990 and \$154 million in 1989. Operating income in 1991 was \$25 million, compared with \$22 million in 1990 and \$17 million in 1989.

ASB's earnings depend primarily on its net interest income, the difference between the interest income earned on interest-earning assets (loans receivable, mortgage-backed securities and investments) and the interest expense incurred on interest-bearing liabilities (deposit liabilities and borrowings). ASB's loan volumes and yields are affected by market interest rates, competition, the demand for real estate financing, the availability of funds and management's responses to these factors. Other factors affecting ASB's operating results include income from servicing loans and expenses from operations.

ASB reported net interest income of \$64 million for 1991, compared with \$52 million for 1990 and \$40 million for 1989. The 22% increase in net interest income in 1991 is due to the higher average balance of interest-earning assets resulting from the October 1990 acquisition of the FNB deposits, the favorable interest rate environment and the increase in the interest rate spread of 26 basis points over 1990. The volume of ASB's business increased as reflected in the \$248 million increase in the average balance of interest-earning assets in 1991 over 1990. During 1991, declining interest

rates lowered the cost of interest-bearing liabilities faster than the yield on interest-earning assets which resulted in an improvement in the interest rate spread to 3.26% in 1991 from 3.00% in 1990.

A favorable interest rate environment, higher average balances in interest-earning assets and decreased cost of funds contributed to the 31% increase in 1990 in net interest income. The interest rate spread improved to 3.00% in 1990 from 2.64% in 1989.

The difference between the amounts of interest-earning assets and interest-bearing liabilities that reprice during a given period is called "gap." A "positive gap" exists when more assets than liabilities reprice within a given period; a "negative gap" exists when more liabilities than assets reprice within a given period. At the end of 1991, ASB's one-year negative gap position was 10.1% of total assets. The one-year negative gap positions at the end of 1990 and 1989 were 12.3% and 8.2%, respectively. Generally, a decline in interest rates should result in higher net interest income for a financial institution that is in a negative gap position, as the cost of interest-bearing liabilities decreases at a faster rate than yields on interest-earning assets. Conversely, a rise in interest rates should result in lower net interest income. For 1992, ASB has targeted a negative gap range between 10% - 15% to minimize the adverse impact of possible rising interest rates. ASB intends to emphasize the origination of adjustable rate mortgage loans and to purchase more adjustable-rate mortgage-backed securities to manage its gap.

In addition to net interest income, other sources of income to ASB include fees from servicing loans, fees on deposit accounts and rental income. Other income totaled \$10 million in 1991, compared with \$9 million in 1990 and \$11 million in 1989.

Nonrecurring income was not significant in 1991, only \$0.2 million in 1990 and \$1.9 million in 1989. In 1989, nonrecurring income included a one-time gain of \$1.1 million on the sale of all Federal Home Loan Mortgage Corporation (FHLMC) preferred stock and a \$0.7 million gain on the sale of a mortgage-backed security. Other than isolated sales of mortgage-backed securities, ASB has the intent and ability to hold its mortgage-backed securities until maturity.

Insurance. HIG's revenues were \$90 million in 1991, compared with \$80 million in 1990 and \$71 million in 1989. Sources of revenues are mainly the premiums for insurance policies written, which are recognized ratably over the terms of the policies, and income from investments. 1991 revenues increased 12% over 1990, despite a 0.3% decrease in the number of policies in force, due to premium rate increases in personal and commercial automobile and general liability lines and growth in the investment portfolio. The increase in revenues would have been higher if it were not for continuing regulatory delays in the transition to the loss cost basis rate filing methodology. Because of the delays, a number of rate filings scheduled for 1990 and 1991 had not

been called by the Insurance Division of the State's Department of Commerce and Consumer Affairs as of December 31, 1991.

1990 revenues increased by 13% over 1989 due to a 3.5% increase in the number of policies in force, premium rate increases in personal and commercial automobile lines and growth in the investment portfolio. 1990 revenues would have been higher if it were not for regulatory delays similar to those experienced in 1991.

Operating income was \$1.3 million in 1991, compared with \$1.6 million in 1990 and \$10.0 million in 1989.

The statutory combined operating ratio is the sum of the ratio of net incurred losses and loss adjustment expenses to net premiums earned, the ratio of underwriting expenses to net premiums written, and the ratio of policyholder dividends to net premiums written.

For 1991, HIG's statutory measure of its underwriting results as reflected in its statutory combined operating ratio of 112.8% was high compared with 1990 and 1989, but was about the same as what is projected to be the 1991 industry average of 112.0%. Contributing to this high combined operating ratio in 1991 was the regulatory lag experienced by HIG in obtaining premium rate increases in all lines except automobile, which is not under the loss cost basis rate filing methodology. In addition, a significant increase in the allocation of loss and loss expenses from the workers' compensation residual market pool due to a change in the methodology of computing reserves by the pool, and a

significant increase in the Hawaii domestic premium tax rate beginning in July 1991, also contributed to the deterioration of the combined ratio for 1991.

For 1990, HIG's combined operating ratio was 107.3%, which included \$2.6 million of pre-tax losses from lava damage. The 1990 industry average was 109.6%. HIG quickly took steps in 1990 to reduce losses in the event of future lava flows. HIG stopped writing new policies in high risk volcanic zones and restructured its reinsurance program to limit exposure should the lava flows continue. Also affecting the 1990 operating results were a \$1.1 million allowance for uncollectible reinsurance from one reinsurer and delays in obtaining premium rate increases resulting from the introduction of the loss cost basis rate filing methodology.

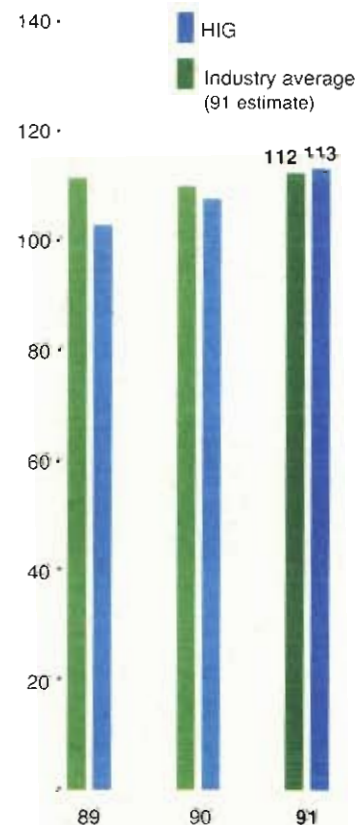
For 1989, HIG's combined operating ratio was 102.5%, comparing very favorably to the industry average of 110.4%.

Loss and loss expenses continue to increase at a proportionately higher rate than revenues as rate changes lag actual loss experience. The Hawaii insurance industry completed its first filing under the loss cost basis system with a rate filing in the general liability line of business. HIG increased its general liability rates in October 1991. HIG expects to obtain more timely rate increases in 1992 and in the future.

Premium taxes

Prior to July 1991, domestic property and casualty insurers (i.e., insurers domiciled in the State of Hawaii) paid premium taxes at a rate of approximately 2.96% while foreign property and casualty insurers paid at a rate of approximately 4.28%. The constitutionality of this difference in tax rates has been challenged by foreign insurers. In June 1991, the Hawaii Tax Appeal Court entered an interlocutory order finding the domestic tax rate to be unconstitutional and severing the domestic tax rate from the statute. Although HIG and other domestic insurers were not a party to the Hawaii Tax Appeal Court proceeding, the Insurance Commissioner required all insurers to pay premium taxes

Hawaiian Insurance Group statutory combined operating ratio



prospectively at the higher rate effective as of July 1, 1991. HIG has complied, but has retained the right to appeal this determination. The State of Hawaii, through the Insurance Commissioner, may ultimately attempt to assess additional taxes retroactively; however, the Insurance Commissioner is not presently assessing the taxes retroactively, and it is not known when, if ever, such an assessment would be made. In order to enforce a retroactive assessment, the State would have to take a number of additional legal steps and the domestic companies would have constitutional and statutory challenges available. If the Insurance Commissioner attempted to enforce such an assessment, it is anticipated that HIG would oppose it vigorously.

The financial impact of a retroactive assessment would only be limited by the period of retroactivity. Based on the opinion of HIG's legal counsel, management believes that it is not likely that an assessment, if any, would be material to HEI's consolidated results of operations and financial condition.

Other

The "Other" business segment includes results of operations from Hawaiian Tug & Barge Corp. (HTB) and its subsidiary, Young Brothers, Limited (YB), which are freight transportation companies; HEIIC, which is a company holding investments; Hawaiian Electric Renewable Systems, Inc. (HERS) and its subsidiary, which are alternative energy companies; Malama Pacific Corp. (MPC) and its

subsidiaries, which are real estate investment and development companies; HEI, the parent company; HEI Diversified, Inc., the parent company of ASB and HIG; and eliminations of intercompany transactions.

This segment reported operating income of \$4.4 million in 1991, compared with an operating loss of \$7.1 million in 1990 and operating income of \$9.3 million in 1989.

In 1990, HEIIC wrote down \$12.6 million of investments to reflect an other than temporary decline in their market value for a loss of \$11.7 million, net of taxes. HEIIC has been selling its investments over the last few years and no new investments are currently planned by HEIIC. Excluding the investment writedowns in 1990, operating income for the "Other" business segment would have declined in 1991 due in part to poor operating results at HERS. Operating difficulties experienced by HERS and lower investment income and lower capital gains at HEIIC were other factors contributing to the decline in operating income in 1990. Management will continue to evaluate HERS' operations and assess the recoverability of windfarm assets.

Operating income for the freight transportation subsidiaries was \$5.0 million in 1991, compared with \$4.6 million in 1990 and \$5.8 million in 1989. The increase in operating income in 1991 was primarily due to the gain on the sale of an oil barge and lower maintenance expenses, offset in part by higher depreciation expense. The decrease in 1990 was attributable to increased vessel repairs and maintenance expenses, a premium call from the mutual marine insurance pool resulting from events

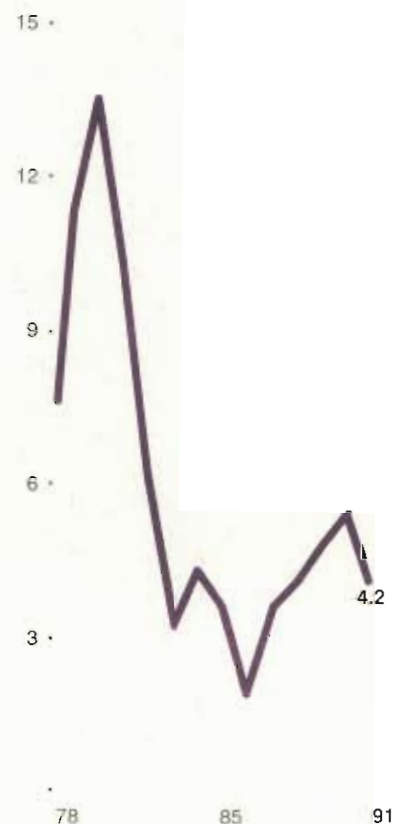
such as the Exxon Valdez oil spill, and higher depreciation expenses.

MPC contributed \$0.9 million, \$1.0 million and \$0.7 million to operating income in 1991, 1990 and 1989, respectively. The slowing in the real estate market that occurred in 1991 is a concern which the Company is monitoring.

Effects of inflation

Inflation, as measured by the Consumer Price Index (CPI), averaged 4.2% in 1991, 5.4% in 1990 and 4.8% in 1989. Although the rate of inflation over the past three years has been relatively low compared with the late 1970s and early 1980s, inflation continues to have an impact on HEI's operations.

Inflation (CPI) 1978-1991 (%)



Inflation increases operating costs and the replacement cost of assets. Subsidiaries with significant physical assets, such as the electric utility companies, replace assets at much higher costs and must request rate relief to maintain adequate earnings. In the past, the PUC has generally approved rate relief to cover the effects of inflation. In 1991, the electric utility companies applied for rate relief, in part to cover increases in operating expenses and construction costs due to inflation.

Future accounting changes

Accounting for income taxes

In December 1987, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes." The new standard requires companies to use the asset and liability method of accounting for income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The provisions of SFAS No. 96 must be adopted by the Company no later than 1993. The FASB currently has under consideration a pronouncement that would supersede SFAS No. 96. This proposed pronouncement also requires the asset and liability method of accounting for income taxes. Management

plans to record a cumulative adjustment in the year the Company implements SFAS No. 96 or the proposed pronouncement rather than restate all prior years. Primarily due to the regulated nature of the electric utility subsidiaries, the Company believes that the implementation of SFAS No. 96 or the proposed pronouncement will not have a material effect on financial condition.

Accounting for postretirement benefits other than pensions

In 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires accrual, during the years that an employee renders the necessary service, of the expected cost of providing those benefits to that employee and the employee's beneficiaries and covered dependents. Currently, the cost of these benefits is not recognized by HEI or any of its subsidiaries until paid. The provisions of SFAS No. 106 must be adopted by the Company no later than 1993. SFAS No. 106 provides two options for recognizing the transition obligation (i.e., the unfunded and unrecognized accumulated postretirement benefit obligation at date of adoption of the accounting standard) — immediate recognition or recognition on a delayed basis. Management intends to implement SFAS No. 106 in 1993 and recognize the transition obligation on a delayed basis.

An application will be filed asking the PUC to open a docket to determine whether SFAS No. 106 should be adopted for rate-making purposes. If SFAS No. 106 is adopted for rate-

making purposes or if it is determined that the increase in expense under SFAS No. 106 gives rise to an offsetting regulatory asset under current PUC rate-making procedures, then the adoption of SFAS No. 106 for financial reporting purposes is not expected to have a significant effect on future results of operations. The accounting profession is currently considering the circumstances under which a regulatory asset can be recognized for postretirement benefits other than pensions. If SFAS No. 106 is not adopted for rate-making purposes and if under accounting guidelines existing at the time of adoption it is concluded that recognition of a regulatory asset would be inappropriate, then the adoption of SFAS No. 106 would result in a reduction in net earnings. Estimated costs for postretirement benefits other than pensions would be approximately \$20 million greater in 1992 if such benefits were determined under the provisions of SFAS No. 106 (assuming the recognition of the transition obligation on a delayed basis) rather than under the current pay-as-you-go basis. A portion of the increase in such expense might be capitalized as part of the cost of capital projects. The transition obligation is estimated to be \$131 million as of January 1, 1992.

Liquidity and capital resources

Consolidated

HEI believes that its profitability and balance sheet strength are adequate to generate cash, both internally from operations and externally from debt and equity issues, to fund its con-

struction programs and to cover debt and other cash requirements in the foreseeable future. HEI's total assets were \$3.9 billion at December 31, 1991 and \$3.7 billion at December 31,

1990. Growth in ASB's interest-earning assets and increased capital expenditures by the electric utility companies have contributed to this 6.3% increase in total assets in 1991.

The consolidated capital structure of HEI was as follows:

(dollars in thousands)	December 31,			
	1991		1990	
Short-term borrowings	\$ 29,420	2.4%	\$ 123,296	10.4%
Long-term debt (excluding ASB's medium-term notes as of December 31, 1990)	539,976	43.6	463,763	39.1
Preferred stock of electric utility subsidiaries	86,958	7.0	88,503	7.5
Common stock equity	581,446	47.0	510,543	43.0
	\$1,237,800	100.0%	\$1,186,105	100.0%

The consolidated capital structure does not include ASB's deposit liabilities, securities sold under agreements to repurchase, advances from the Federal Home Loan Bank and ASB's collateralized medium-term notes.

HEI plans to maintain its debt and equity structure within range of the levels at December 31, 1991 through issuances of short-term and long-term debt, retained earnings and issuances of common stock through public offerings and the Dividend Reinvestment and Stock Purchase Plan.

At December 31, 1991, short-term borrowings were \$94 million lower than at December 31, 1990. The decrease was primarily due to \$85 million of repayments of short-term borrowings with the proceeds from the issuances of senior unse-

cured debt in March and December 1991 at rates ranging from 7.59% to 8.92%, due in various years from 1994 to 2001. The decrease was also due to \$40 million of repayments of short-term borrowings with the proceeds from the issuance of 1.2 million shares of common stock in the Company's June 1991 public offering.

The general purpose of the debt issuances and common stock sale was to finance a portion of the capital expenditure programs of the electric utility subsidiaries.

In December 1991, the PUC approved the sale by HECO of \$61 million in shares of its common stock to HEI, and this sale was completed in December 1991.

In November 1991, the credit ratings of certain HEI and HECO securities were downgraded by

Moody's Investors Service (Moody's). Moody's stated that "[t]he rating action is prompted by an unresponsive rate decision recently issued by the Hawaii Public Utilities Commission, which took more than 22 months to finalize."

As of December 31, 1991, HEI and HECO's Standard & Poor's Corporation (S&P), Moody's and Duff & Phelps Credit Rating Co.'s (Duff & Phelps) security ratings are as follows:

	HEI			HECO		
	S&P	Moody's	Duff & Phelps	S&P	Moody's	Duff & Phelps
First mortgage bonds	-	-	-	A-	A3	A
Revenue bonds	-	-	-	BBB+	Baa1	A-
Medium-term notes	BBB+	Baa2	A	-	-	-
Cumulative preferred stock	-	-	-	BBB+	baa1	BBB+
Commercial paper	A-2	P-2	Duff 1-	A-2	P-2	Duff 1-

At December 31, 1991, \$40 million of a \$100 million registered medium-term note program was available to HEI. HEI also maintained bank lines of credit which totaled \$35 million at December 31, 1991 and HECO maintained bank lines of credit which totaled \$55 million at December 31, 1991. At December 31, 1991, there were no borrowings against any line of credit.

Operating activities provided net cash of \$167 million in 1991, \$72 million in 1990 and \$104 million in 1989.

Investing activities such as capital expenditures, origination and purchases of loans and purchases of mortgage-backed securities accounted for a significant portion of the net cash used of \$348 million in 1991, \$457 million in 1990 and \$414 million in 1989.

Financing activities provided net cash of \$131 million in 1991, \$439 million in 1990 and \$328 million in 1989. Significant sources of cash in 1991 were deposit liabilities, proceeds from long-term debt, common stock issuances and advances from the Federal Home Loan Bank. The 1990 sources of cash included growth in

deposit liabilities primarily due to the assumption of FNB's deposits and proceeds from the issuances of short-term and long-term debt. In 1989, ASB had \$123 million in proceeds from securities sold under agreements to repurchase net of repayments and the electric utilities received \$29 million in proceeds from issuance of preferred stock net of redemptions.

A portion of net assets (assets less liabilities) of HECO, ASB and HIG are not available for transfer to HEI in the form of dividends, loans or advances without regulatory approval. However, such restrictions are not expected to affect significantly the operations of HEI, its ability to pay dividends on its common stock or its ability to meet other cash obligations. (See Note 17 in the "Notes to Consolidated Financial Statements.")

Following is a discussion of the liquidity and capital resources of HEI's largest segments.

Electric utility

In 1991, the electric utility companies used \$142 million in cash for capital expenditures. In addition, \$35 million of cash was used to repay short-term borrowings, \$32 million was used to

repay long-term debt and \$32 million was used for preferred and common stock dividends. \$17 million in cash came from third-party contributions in aid of construction. \$123 million in cash came from operations. Financing activities provided \$41 million from the drawdown of the proceeds from the sale in prior years of tax-exempt special purpose revenue bonds and HEI provided \$61 million through its purchase of HECO common equity.

Capital expenditures, net of an allowance for funds used during construction and third party contributions in aid of construction, for the five-year period 1992 through 1996 are currently estimated to total \$960 million. Of this amount, approximately 65% is for transmission and distribution projects, with the remaining 35% primarily for generation projects. These projects are required to meet expected load growth. At December 31, 1991, purchase commitments other than fuel and power purchase contracts were approximately \$45 million, including amounts for construction projects. (Refer also to Note 3 in the "Notes to

Consolidated Financial Statements” for a discussion of future purchased power commitments.)

Capital expenditure estimates and the timing of construction projects are reviewed continually. Capital expenditure programs may be revised significantly as a result of many considerations, including changes in economic conditions, changes in forecasts of kilowatt-hour sales and peak load, the availability of alternate energy and purchased power sources, the ability to obtain adequate and timely rate relief, escalations in construction costs and requirements of environmental and other regulatory authorities.

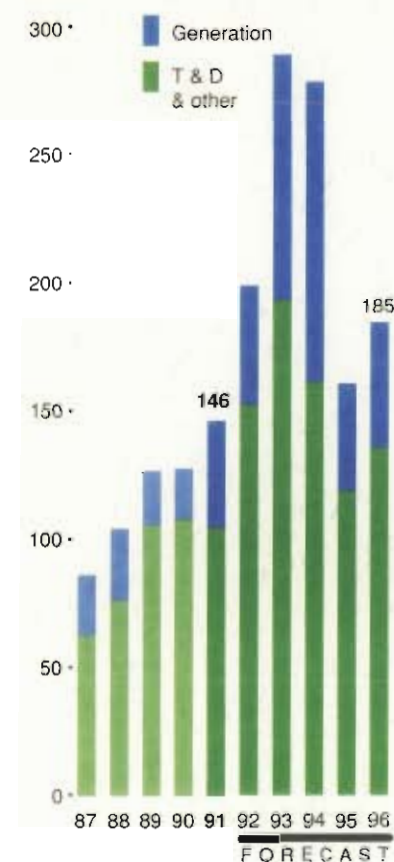
The electric utility’s consolidated financing requirements for the years 1992 through 1996, including net capital expenditures, debt retirements and sinking fund payment requirements, are estimated to total \$1.0 billion. Internal and external sources of funds are expected to be adequate in meeting these needs. Subject to obtaining the requisite PUC approvals, debt and equity financing is expected to be obtained as needed in order to maintain a sound capital structure.

Electric utility capital expenditures for 1992 are estimated to be \$199 million, of which approximately 70% is for transmission and distribution projects. An estimated \$47 million is planned for new generation projects. It is estimated that \$19 million of the \$199 million in capital expenditures will be provided through third-party contributions in aid of construction.

Drawdowns of proceeds from the sale of tax-exempt special purpose revenue bonds, sales of common stock to HEI and internal sources of funds will provide the remaining funds needed for capital expenditures.

During 1990, the State of Hawaii issued a total of \$100 million in tax-exempt special purpose revenue bonds on behalf of HECO, HELCO and MECO at fixed interest rates between 7.35% and 7.6%. As of December 31, 1991, approximately \$82 million of the \$100 million was drawn down. As of December 31, 1991, an additional \$72 million of revenue bonds was authorized by the Hawaii legislature for issuance prior to the end of 1993.

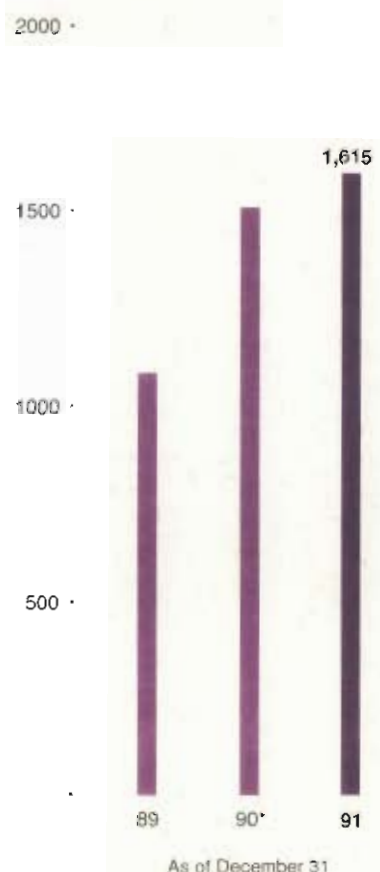
Hawaiian Electric Company and subsidiaries capital expenditures (\$ mil)



Financial services

Savings bank. In 1991, ASB’s total assets increased 7.3% to \$2.2 billion at December 31, 1991, compared with \$2.0 billion at December 31, 1990. Total loans receivable and mortgage-backed securities were \$2.0 billion at December 31, 1991, compared with \$1.8 billion at December 31, 1990, for an increase of 11%. The increase is primarily due to originations and purchases of loans and purchases of mortgage-backed securities totaling \$549 million during 1991. Total deposits and borrowings increased to \$2.0 billion at December 31, 1991, compared with \$1.9 billion at December 31, 1990.

American Savings Bank deposits (\$ mil)



*ASB’s acquisition of FNB’s Hawaii operations increased ASB’s deposit base by \$247 million

Deposits traditionally have been the principal source of ASB's funds for use in lending, meeting liquidity requirements and making investments. ASB also derives funds from receipt of interest and principal on outstanding loans receivable, borrowings from the Federal Home Loan Bank of Seattle, securities sold under agreements to repurchase and other sources, including ASB's issuance of collateralized medium-term notes. Minimum liquidity levels are currently governed by the regulations adopted by the Office of Thrift Supervision (OTS). ASB was in compliance with OTS liquidity requirements as of December 31, 1991.

At December 31, 1991, loans which do not accrue interest totaled \$1.0 million or a low 0.09% of net loans outstanding. There was no real estate acquired in settlement of loans at December 31, 1991 or 1990.

At December 31, 1991, securities sold under agreements to repurchase consisted of mortgage-backed securities sold under fixed-coupon agreements. The mortgage-backed securities underlying the agreements were delivered to the brokers or dealers who arranged the transactions. However, the dollar amount of securities underlying the agreements remains in ASB's asset accounts. The agreements are a source of financing for ASB with the obligations to repurchase securities sold being

reflected as a liability in the consolidated balance sheet. At December 31, 1991, \$131 million of agreements to repurchase identical securities were outstanding.

ASB believes that a satisfactory regulatory capital position provides a basis for public confidence, affords protection to depositors, helps to ensure continued access to capital markets on favorable terms and provides a foundation for anticipated growth.

The OTS regulations require each savings association to have regulatory capital at least sufficient to meet three requirements: tangible capital and core (leverage) capital of 1.5% and 3.0%, respectively, of adjusted total assets; and a risk-based capital standard equal to 8.0% of risk-adjusted assets. The risk-based capital requirement is being phased-in, with 90% compliance by December 31, 1990 and 100% compliance by December 31, 1992. As of December 31, 1991, ASB was in full compliance with the minimum capital requirements with a tangible capital ratio of 3.9%, a core capital ratio of 4.5% and risk-based capital of \$99 million, \$19 million in excess of the fully phased-in requirement.

The OTS is currently considering proposed regulations which will increase capital requirements. One of the proposed regulations includes increasing core capital requirements to either 4% or 5% for many savings associations. Under the proposed regulation, ASB believes it would be required to comply with a 4% requirement. As of December 31, 1991, ASB would have been in compliance with

the proposed 4% requirement with a core capital ratio of 4.5%, including core deposit premiums of \$13 million as a capital component as currently allowed by the OTS. If the core deposit premiums were required to be excluded from capital, ASB's core capital ratio would have been 3.9% as of December 31, 1991, and ASB would have required approximately \$2.7 million of additional capital to be in full compliance.

OTS has postponed a proposal to add an interest rate risk component to the existing risk-based capital requirement. This OTS proposal would require a savings association to hold additional capital equal to 50% of the estimated decline in market value of its portfolio equity (as defined in the OTS proposal) that would result from an immediate 2% increase or decrease in interest rates.

It is difficult to predict whether the proposed regulations will be adopted and, if so, what their ultimate form and impact will be. Should the capital regulations change, HEI expects that any requirements for additional capital for ASB would be met primarily through ASB's retained earnings growth and/or a capital infusion from HEI.

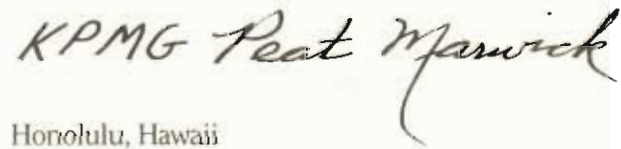
Independent Auditors' Report

The Board of Directors and Stockholders
Hawaiian Electric Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Hawaiian Electric Industries, Inc. and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, retained earnings and cash flows for each of the years in the three-year period ended December 31, 1991. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hawaiian Electric Industries, Inc. and subsidiaries as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1991, in conformity with the generally accepted accounting principles.



Honolulu, Hawaii
January 28, 1992

Consolidated Statements of Income

Hawaiian Electric Industries, Inc. and subsidiaries, years ended December 31,

(in thousands, except per share amounts)

	1991	1990	1989
Revenues			
Electric utility	\$ 740,632	\$ 707,085	\$ 605,993
Financial services	288,312	260,591	224,472
Other (includes investment writedowns of \$12,577 in 1990)	54,897	43,089	53,650
	<u>1,083,841</u>	<u>1,010,765</u>	<u>884,115</u>
Expenses			
Electric utility	640,376	607,327	505,723
Financial services	261,769	236,935	197,393
Other	50,463	50,208	44,340
	<u>952,608</u>	<u>894,470</u>	<u>747,456</u>
Operating income (loss)			
Electric utility	100,256	99,758	100,270
Financial services	26,543	23,656	27,079
Other (includes investment writedowns of \$12,577 in 1990)	4,434	(7,119)	9,310
	<u>131,233</u>	<u>116,295</u>	<u>136,659</u>
Interest expense—nonfinancial services	(43,599)	(41,160)	(42,931)
Preferred stock dividends of electric utility subsidiaries	(6,887)	(7,048)	(4,630)
Other	3,998	4,526	3,876
Income before income taxes	84,745	72,613	92,974
Income taxes	29,919	29,011	28,899
Net income	\$ 54,826	\$ 43,602	\$ 64,075
Earnings per common share	\$ 2.40	\$ 2.02	\$ 3.06
Dividends per common share	\$ 2.21	\$ 2.17	\$ 2.07
Weighted average number of common shares outstanding	22,882	21,559	20,960

Consolidated Statements of Retained Earnings

Hawaiian Electric Industries, Inc. and subsidiaries, years ended December 31,

(in thousands)

	1991	1990	1989
Retained earnings, beginning of year	\$ 200,286	\$ 203,424	\$ 182,693
Net income	54,826	43,602	64,075
Common stock dividends	(50,449)	(46,740)	(43,344)
Retained earnings, end of year	\$ 204,663	\$ 200,286	\$ 203,424

See accompanying "Notes to Consolidated Financial Statements."

Consolidated Balance Sheets

Hawaiian Electric Industries, Inc. and subsidiaries, December 31,

(in thousands)

	1991	1990
Assets		
Cash and equivalents	\$ 75,443	\$ 125,741
Accounts receivable and unbilled revenues, net	130,267	141,934
Inventories, at average cost	41,545	57,504
Loans receivable, net	1,148,626	937,050
Notes receivable from joint ventures	20,403	21,330
Marketable securities (estimated market value \$1,051,500 in 1991 and \$1,024,865 in 1990)	1,019,614	1,014,950
Other investments	72,052	69,167
Property, plant and equipment, net	1,284,780	1,189,650
Other	52,823	51,639
Goodwill and other intangibles	58,964	64,892
	<u>\$ 3,904,517</u>	<u>\$ 3,673,857</u>
Liabilities and stockholders' equity		
Accounts payable	\$ 86,953	\$ 82,178
Deposit liabilities	1,615,361	1,511,291
Short-term borrowings	29,420	123,296
Securities sold under agreements to repurchase	131,018	139,367
Unearned insurance premiums	36,034	32,685
Unpaid insurance losses and loss expenses	105,929	92,975
Advances from Federal Home Loan Bank	258,593	205,716
Long-term debt	539,976	477,763
Deferred income taxes	168,733	163,779
Unamortized tax credits	46,819	47,169
Contributions in aid of construction	113,234	101,585
Other	104,043	97,007
	<u>3,236,113</u>	<u>3,074,811</u>
Preferred stock of electric utility subsidiaries		
Subject to mandatory redemption	50,665	52,210
Not subject to mandatory redemption	36,293	36,293
	<u>86,958</u>	<u>88,503</u>
Stockholders' equity		
Common stock, no par value, authorized 100,000 shares; outstanding 23,867 shares in 1991 and 21,918 shares in 1990	376,783	310,257
Retained earnings	204,663	200,286
	<u>581,446</u>	<u>510,543</u>
	<u>\$ 3,904,517</u>	<u>\$ 3,673,857</u>

See accompanying "Notes to Consolidated Financial Statements."

Consolidated Statements of Cash Flows

Hawaiian Electric Industries, Inc. and subsidiaries, years ended December 31.

(in thousands)	1991	1990	1989
Cash flows from operating activities			
Net income	\$ 54,826	\$ 43,602	\$ 64,075
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	58,338	53,556	48,509
Other amortization	3,578	1,176	(4,403)
Deferred income taxes and tax credits, net	4,604	(10,444)	4,139
Net losses (gains) on marketable securities and other investments	(3,051)	11,987	(4,653)
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable and unbilled revenues, net	11,667	(30,075)	(21,947)
Decrease (increase) in inventories	15,959	(16,651)	(11,934)
Increase in accounts payable	4,775	5,886	16,229
Changes in other assets and liabilities	16,324	13,055	13,610
Net cash provided by operating activities	167,020	72,092	103,625
Cash flows from investing activities			
Increase in notes receivable from joint ventures	(8,297)	(25,711)	—
Principal repayments on notes receivable from joint ventures	9,224	4,381	—
Loans receivable originated and purchased	(379,445)	(365,109)	(312,536)
Principal repayments on loans receivable	164,848	147,745	115,463
Proceeds from sale of loans receivable	6,271	9,637	2,633
Mortgage-backed securities purchased by the savings bank	(169,276)	(236,198)	(169,862)
Principal repayments on mortgage-backed securities held by the savings bank	162,269	89,016	61,183
Proceeds from sale of mortgage-backed securities by the savings bank	29,543	19,663	21,036
Increase in other marketable securities and investments	(361,648)	(243,979)	(241,759)
Redemption and sale of other marketable securities and investments	339,976	249,316	227,731
Capital expenditures	(157,741)	(136,520)	(141,530)
Contributions in aid of construction	16,632	31,671	8,733
Other	(284)	(500)	14,815
Net cash used in investing activities	(347,928)	(456,588)	(414,093)
Cash flows from financing activities			
Net increase in deposit liabilities	104,070	170,014	130,322
Proceeds from assumption of deposit liabilities	—	238,967	—
Net increase (decrease) in short-term borrowings	(93,876)	61,606	17,726
Proceeds from securities sold under agreements to repurchase	235,307	278,206	693,393
Repurchase of securities sold under agreements to repurchase	(242,876)	(262,777)	(570,839)
Proceeds from advances from Federal Home Loan Bank	178,860	326,239	232,800
Principal payments on advances from Federal Home Loan Bank	(126,000)	(374,100)	(191,000)
Proceeds from issuance of long-term debt	125,579	41,298	62,245
Repayment of long-term debt	(63,366)	(8,390)	(54,167)
Proceeds from issuance of electric utility subsidiaries' preferred stock	—	—	31,000
Redemption of electric utility subsidiaries' preferred stock	(1,545)	(1,445)	(1,530)
Net proceeds from issuance of common stock	51,415	10,351	8,007
Common stock dividends	(36,877)	(36,424)	(33,053)
Other	(81)	(4,687)	3,008
Net cash provided by financing activities	130,610	438,858	327,912
Net increase (decrease) in cash and equivalents	(50,298)	54,362	17,444
Cash and equivalents, beginning of year	125,741	71,379	53,935
Cash and equivalents, end of year	\$ 75,443	\$ 125,741	\$ 71,379

See accompanying "Notes to Consolidated Financial Statements."

Notes to Consolidated Financial Statements

1 • Summary of significant accounting policies

General

Basis of financial statement presentation. The financial statements have been prepared in conformity with generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowances for unpaid insurance losses and loss expenses, loan losses and unrecoverable windfarm assets. Management believes that these allowances are adequate based on current circumstances.

Consolidation. The consolidated financial statements include the accounts of Hawaiian Electric Industries, Inc. (HEI), a holding company, and its wholly owned subsidiaries (collectively, the "Company"). These subsidiaries are Hawaiian Electric Company, Inc. (HECO), parent company of Hawaii Electric Light Company, Inc. (HELCO) and Maui Electric Company, Limited (MECO); HEI Diversified, Inc. (HEIDI), parent company of American Savings Bank, F.S.B. (ASB) and The Hawaiian Insurance & Guaranty Company, Limited (HIG); Hawaiian Tug & Barge Corp. (HTB), parent company of Young Brothers, Limited (YB); Hawaiian Electric Renewable Systems, Inc. (HERS); Malama Pacific Corp. (MPC); and HEI Investment Corp. (HEIIC).

MPC and its subsidiaries do not consolidate real estate joint ventures in which they own a 50% or less interest.

All significant intercompany transactions and balances have been eliminated in consolidation.

Investments.

Marketable securities. Investments held by the insurance company are held for trading and are carried at market value with unrealized gains or losses reflected in stockholders' equity.

Long-term investments in mortgage-backed and other debt securities, which management intends and has the ability to hold until maturity, are carried at amortized cost.

Mortgage-backed securities held for trading are carried at market value with unrealized gains or losses reflected in net income.

Long-term investments in marketable equity securities are carried at the lower of cost or market with changes in market value below cost reflected in stockholders' equity.

Other investments. Investments in real estate joint ventures are accounted for under the equity method.

Other investments, which have no quoted market value, are carried at cost.

For all investments, declines in value determined to be other than temporary are reflected in net income.

The specific identification method is used in determining realized gains and losses on the sale of securities.

Property, plant and equipment. Property, plant and equipment are stated at cost. The cost of plant constructed by the electric utility subsidiaries includes applicable engineering, supervision, administrative and general expenses, and an allowance for the cost of funds used during the construction period. Upon the retirement or sale of electric utility plant, no gain nor loss is recognized. The cost of the plant retired or sold and the cost of removal (net of salvage obtained) are charged to accumulated depreciation.

Retirement benefits. Pension costs are charged primarily to expense and electric utility plant. The Company's policy is to fund pension costs in amounts consistent with the requirements of the Employee Retirement Income Security Act.

Certain health care and/or life insurance benefits are provided to retired employees, substantially all of whom become eligible for these benefits upon retirement, and the employee's beneficiaries and covered dependents. The cost of these benefits is not recognized until paid. Accordingly, no provision has been made for future postretirement benefits other than pensions to retired employees.

Depreciation and amortization. Depreciation of plant and equipment is computed primarily using the straight-line method over the estimated useful lives of the assets.

Goodwill relating to acquisitions is being amortized on a straight-line basis over various periods up to 25 years.

Core deposit intangibles are being amortized each year at the greater of the actual attrition rate of such deposit base or 10% of the original value.

Income taxes. Deferred income taxes are provided for substantially all timing differences in the recognition of items for financial reporting and income tax purposes.

In accordance with the State of Hawaii Public Utilities Commission's (PUC) method of establishing electric rates, the excess of accumulated deferred income taxes previously provided over the amount that is required, based on tax rates established by the 1986 Tax Reform Act, is being amortized into income by the electric utility subsidiaries over the estimated remaining lives of the assets which gave rise to the deferred income taxes.

Tax credits are amortized over the estimated useful lives of the properties which qualified for the credits.

Earnings per common share. Earnings per common share are based upon the weighted average number of shares of common stock outstanding. The dilutive effect of stock options is not material.

Cash flows. The Company considers cash on hand, deposits in banks, deposits with the Federal Home Loan Bank, money market accounts, certificates of deposits, short-term commercial paper and reverse repurchase agreements with original maturities of less than three months to be cash and equivalents.

Reclassifications. Certain reclassifications have been made to prior years' consolidated financial statements to conform to the 1991 presentation.

For 1990 and 1989, the freight transportation segment, for which operating income was \$5 million and \$6 million, respectively, was reclassified to the "Other" segment.

Electric utility

Contributions in aid of construction. The electric utility subsidiaries receive contributions from customers for special construction requirements. As directed by the PUC, the contributions are amortized on a straight-line basis over the estimated useful lives of the facilities for which the contributions were received. This amortization is an offset against depreciation expense.

Electric utility revenues. Electric utility revenues are based on rates authorized by the PUC and include revenues applicable to electric energy consumed in the accounting period but not yet billed to the customers. The rate schedules of the electric utility subsidiaries include fuel oil adjustment clauses under which electric rates are adjusted for changes in the prices paid for fuel oil and certain components of purchased power.

Savings bank

Loans receivable. Any discount or premium on loans is amortized over the estimated life of the loan using the level-yield method.

Valuation allowances for estimated losses on loans receivable and real estate acquired in settlements of loans are provided to the extent that such losses are expected to be incurred.

The accrual of interest on a loan is discontinued when the loan becomes more than 90 days delinquent or on an earlier basis when there is reasonable doubt as to its collectibility.

Loan origination and commitment fees. Loan origination fees (net of direct loan origination costs) are deferred and recognized as an adjustment of yield over the life of the loan. Nonrefundable commitment fees (net of direct loan origination costs, if applicable) for commitments to originate or purchase loans are deferred and, if the commitment is exercised, recognized as an adjustment of yield over the life of the loan. If the commitment expires unexercised, nonrefundable commitment fees are recognized as income upon expiration of the commitment.

Insurance

Unpaid insurance losses and loss expenses. Unpaid insurance losses and loss expenses are determined on the basis of estimates of unpaid amounts with respect to reported losses and losses incurred but not reported. Provisions for losses and loss expenses are intended to cover ultimate payment amounts, less amounts recoverable from reinsurance. HIG cedes insurance to reinsurers under various contracts which cover individual risks or entire classes of business. At December 31, 1991 and 1990, unpaid insurance losses and loss expenses were reduced by \$33 million and \$21 million, respectively, for amounts that were estimated to be recoverable from reinsurers.

Unearned insurance premiums. Unearned insurance premiums represent the unexpired portion of insurance premiums. Unearned insurance premiums, less any portions ceded to reinsurers, are recognized as income ratably over the terms of the policies.

2 • Business group and segment financial information

Business group and segment financial information on page 30 is incorporated herein by reference. Certain corporate-level costs were allocated to segments for financial reporting purposes in 1989, which were not billed to those segments. Accordingly, operating income in 1989 for the electric utility and savings bank segments differs from the operating income reported on the separate selected consolidated financial information for the electric utility subsidiary in Note 3 and the savings bank subsidiary in Note 4.

HEI's principal business groups are as follows:

Electric utility.

HECO and its wholly owned subsidiaries, HELCO and MECO, are operating electric public utilities in the business of generating, purchasing, transmitting, distributing, and selling electric energy, and are regulated by the PUC.

Financial services.

Savings bank. ASB is a federally chartered savings bank providing a full range of banking services to individual and corporate customers through its branch system in Hawaii. ASB is subject to examination and comprehensive regulation by the Department of Treasury, Office of Thrift Supervision (OTS) and the Federal Deposit Insurance Corporation, and is also subject to regulations of the Board of Governors of the Federal Reserve System.

Insurance. HIG is a property and casualty insurance company and is primarily regulated by the State of Hawaii Department of Commerce and Consumer Affairs, Insurance Division.

Other.

HTB provides tugboat and charter barge services in Hawaii and the Pacific area and, together with its subsidiary, YB, provides general freight and containerized cargo transportation between the Hawaiian islands. YB operates as the sole authorized common carrier under the Hawaii Water Carrier Act and is regulated by the PUC.

MPC and its wholly owned subsidiaries invest in and develop real estate.

HERS and its wholly owned subsidiary, Lalamilo Ventures, Inc., own and operate wind energy and cogeneration facilities.

HEIIC invests in leveraged leases and other long-term passive investments.

Other also includes certain HEI and HEIDI activities and inter-company eliminations.

3 • Electric utility subsidiary

Hawaiian Electric Company, Inc. and subsidiaries
Selected consolidated financial information

(in thousands)	1991	1990	1989*
Income statement data			
Revenues			
Operating revenues.....	\$ 739,636	\$ 704,853	\$ 604,955
Other—nonregulated.....	996	2,232	1,038
	<u>740,632</u>	<u>707,085</u>	<u>605,993</u>
Expenses			
Fuel oil	275,806	330,421	266,024
Purchased power.....	106,660	46,101	27,053
Other operations.....	100,990	88,034	81,184
Maintenance	39,463	32,992	30,617
Depreciation	49,005	45,165	41,183
Taxes, other than income taxes.	67,648	64,442	55,848
Other—nonregulated.....	804	172	847
	<u>640,376</u>	<u>607,327</u>	<u>502,756</u>
Operating income from regulated and nonregulated activities.....	100,256	99,758	103,237
Interest and other, net	30,230	27,347	26,464
Income before income taxes and preferred stock dividends of HECO.....	70,026	72,411	76,773
Income taxes	23,816	23,927	23,940
Income before preferred stock dividends of HECO....	46,210	48,484	52,833
Preferred stock dividends of HECO.....	4,600	4,674	3,097
Net income for common stock .	<u>\$ 41,610</u>	<u>\$ 43,810</u>	<u>\$ 49,736</u>

The allowance for funds used during construction amounted to \$5 million in 1991, \$6 million in 1990 and \$5 million in 1989.

(in thousands)	December 31,	
	1991	1990
Balance sheet data		
Assets		
Utility plant, at cost:		
Property, plant and equipment.....	\$ 1,586,244	\$ 1,513,609
Less accumulated depreciation	(536,552)	(489,957)
Construction in progress.....	114,974	50,466
Net utility plant	1,164,666	1,074,118
Accounts receivable, net	53,231	65,569
Unbilled revenues, net.....	27,409	23,180
Other	72,717	87,275
	<u>\$ 1,318,023</u>	<u>\$ 1,250,142</u>
Capitalization and liabilities		
Common stock equity.....	\$ 440,831	\$ 365,812
Cumulative preferred stock:		
Not subject to mandatory redemption, dividend rates of 4.25-8.875%	36,293	36,293
Subject to mandatory redemption, dividend rates of 7.68-13.75%	50,665	52,210
Long-term debt	365,098	356,741
Total capitalization.....	892,887	811,056
Short-term borrowings	34,570	69,920
Deferred income taxes.....	112,521	111,574
Unamortized tax credits	38,756	38,986
Contributions in aid of construction...	113,234	101,585
Other	126,055	117,021
	<u>\$ 1,318,023</u>	<u>\$ 1,250,142</u>

(in thousands)	1991	1990	1989*
Cash flow data			
Cash flows from operating activities			
Income before preferred stock			
dividends of HECO	\$ 46,210	\$ 48,484	\$ 52,833
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	49,005	45,165	41,183
Decrease (increase) in accounts receivable and unbilled revenues, net	8,109	(23,713)	(12,488)
Decrease (increase) in inventories	16,027	(16,300)	(11,844)
Other	3,667	(2,381)	9,340
Net cash provided by operating activities	123,018	51,255	79,024
Cash flows from investing activities			
Capital expenditures	(141,900)	(122,882)	(122,611)
Contributions in aid of construction	16,632	31,671	8,733
Other	—	—	(938)
Net cash used in investing activities	(125,268)	(91,211)	(114,816)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(35,350)	33,020	9,036
Proceeds from issuance of long-term debt	40,579	41,298	48,245
Repayment of long-term debt	(32,222)	(2,256)	(27,535)
Proceeds from issuance of preferred stock	—	—	31,000
Redemption of preferred stock	(1,545)	(1,445)	(1,530)
Preferred stock dividends	(4,600)	(4,674)	(3,097)
Proceeds from issuance of common stock	61,000	8,000	—
Common stock dividends	(27,468)	(32,821)	(19,961)
Other	831	(3,261)	3,175
Net cash provided by financing activities	1,225	37,861	39,333
Net increase (decrease) in cash and equivalents	(1,025)	(2,095)	3,541
Cash and equivalents, beginning of year	1,446	3,541	—
Cash and equivalents, end of year	\$ 421	\$ 1,446	\$ 3,541

* HECO's consolidated financial information does not reflect the 1989 corporate-level segment cost allocations referred to in Note 2, "Business group and segment financial information."

Cumulative preferred stock. Certain cumulative preferred shares of HECO and its subsidiaries are redeemable at the option of the respective company at a premium or par. The remaining cumulative preferred shares are subject to mandatory sinking fund provisions at par and optional redemption provisions at a premium. The total sinking fund requirements on preferred stock subject to mandatory redemption for the next five years are \$970,000 in 1992, \$1,370,000 in 1993 and 1994 and \$2,370,000 in 1995 and 1996.

In 1989 HECO received \$31 million in proceeds from nonaffiliated parties in connection with the issuance of several series of mandatorily redeemable preferred stock with dividend rates ranging from 8.5% to 8.75%.

Major customers. The electric utility subsidiaries derived \$77 million (10%) of their operating revenues from the sale of electricity to federal government agencies in 1991, \$72 million (10%) in 1990, and \$61 million (10%) in 1989.

Commitments and contingencies.

Fuel contracts and other purchase commitments. To assure access to a long-term supply of residual fuel oil and diesel fuel, HECO has contractual agreements to purchase a minimum amount of 0.5% sulfur fuel oil and diesel fuel annually through 1993. The fuel oil prices under these contracts are tied to prices as reported in Singapore and Los Angeles. Based on the average price per barrel at January 1, 1992, the amount of required purchases for 1992 approximates \$150 million. HECO purchased \$193 million, \$277 million and \$229 million of fuel under these or prior contractual agreements in 1991, 1990 and 1989, respectively. HECO's subsidiaries have contractual agreements through 1993 under which estimated annual purchase commitments based on the average price per barrel at January 1, 1992 approximate \$43 million. New contracts to replace expiring ones are expected to be entered into in the normal course of business.

At December 31, 1991, HECO and its subsidiaries had purchase commitments other than fuel and power purchase contracts amounting to approximately \$45 million.

Power purchase agreements. In December 1989, the PUC approved HECO's 30-year power purchase agreement with AES Barbers Point, Inc. (AES-BP) to purchase power to be generated by a 180-megawatt coal-fired, cogeneration plant. The plant is scheduled to be completed in 1992.

In October 1990, the PUC approved HECO's 25-year power purchase agreement with Kalaeloa Partners L.P. (Kalaeloa) to purchase power to be generated by a 180-megawatt oil burning combined cycle, cogeneration power plant. The plant was completed in 1991.

Under the AES-BP and Kalaeloa power purchase agreements, HECO's payments to the two suppliers will generally be based upon available capacity and energy usage. In general, the payment rates for capacity will be pre-determined for the terms of the agreements. The payment rates for energy under the AES-BP agreement, including the fuel and other operations and maintenance (O&M) components of the energy charge, will be adjusted based on the Gross National Product Implicit Price Deflator. The payments for energy under the Kalaeloa agreement will be for three types of costs: fuel, fuel treatment and nonfuel items. The rate paid for fuel

adjusts based on the price Kalaeloa pays for the fuel. The rates paid for fuel treatment and nonfuel items will adjust based on indices. Generally, HECO may pass on changes in the prices of the fuel and fuel treatment components (and related revenue taxes) of the AES-BP and Kalaeloa energy charges (but not changes in the O&M/non-fuel components) through its fuel adjustment clause. Assuming availability of expected capacity and energy purchases, payments for capacity and energy are expected to approximate \$79 million for Kalaeloa (based on a \$20.32 per barrel price of oil) for the first full year of operations in 1992 and \$113 million for AES-BP for its first full year of operations in 1993. Assuming that the availability criteria in the Kalaeloa power purchase agreement are met, fixed capacity charges are expected to approximate \$30 million annually from 1992 through 2015 and \$12 million in 2016. Assuming that the construction of the AES-BP plant is completed as scheduled and the availability criteria in the purchase power agreement are met, fixed capacity charges are expected to approximate \$21 million in 1992, between \$59 million and \$62 million annually from 1993 through 2021 and \$41 million in 2022.

HECO power outage. On April 9, 1991, HECO experienced a power outage that affected all customers on the island of Oahu.

One major transmission line was de-energized for routine maintenance when two major transmission lines tripped, causing another major transmission line to become overloaded and automatically trip. The result was an island-wide power outage. Power was restored over the next 12 hours.

The PUC initiated an investigation of the April 9, 1991 outage by its order dated April 16, 1991. The order states that the purpose of the investigation is to determine the cause of the outage, the promptness with which power was restored, the steps necessary to minimize the recurrence of an island-wide outage, whether a consultant should be engaged to examine these matters, and whether a penalty should be imposed on HECO. The PUC held a hearing on the outage on May 21 and 22, 1991, and it is expected that further hearings will be held at a later time. Management cannot predict the timing and outcome of any decision and order to be issued by the PUC with respect to the outage.

HECO's PUC-approved tariff rule states that "[t]he Company will not be liable for interruption or insufficiency of supply or any loss, cost, damage or expense of any nature whatsoever, occasioned thereby if caused by accident, storm, fire, strikes, riots, war or any cause not within the Company's control through the exercise of reasonable diligence and care." Under the rule, customers had 30 days from the date of the power outage to file a claim. The 30-day period expired on May 9, 1991. HECO received approximately 2,800 customer claims which are preliminarily estimated to total approximately \$7 million.

On April 19, 1991, seven direct or indirect business customers on the island of Oahu filed a lawsuit against HECO on behalf of themselves and an alleged class claiming \$75 million in damages and additional unspecified amounts for punitive damages because of the outage. On May 30, 1991, HECO filed an answer which denies the principal allegations in the complaint, sets forth affirmative defenses, and asserts that the suit should not be maintained as a class action. There have been no other proceedings in the case.

A reserve equal to the deductible limits with respect to HECO's insurance coverage has been recorded. In the opinion of management, losses (if any), net of insurance recoveries, resulting from the ultimate outcome of the lawsuit and claims will not have a material adverse effect upon the financial condition of HECO.

Change in accounting estimate. In September 1991, HECO and its subsidiaries revised the method of estimating unbilled kilowatt-hour sales and revenues. The revised method should result in more accurate estimates. The effect of this change in accounting estimate resulted in a nonrecurring increase in HECO and its subsidiaries' net income of \$3.8 million for 1991, or \$0.17 per HEI common share.

4 • Savings bank subsidiary

American Savings Bank, F.S.B. and subsidiaries
Selected consolidated financial information

(in thousands)	1991	1990	1989*
Income statement data			
Interest income	\$189,072	\$171,244	\$142,622
Interest expense	124,840	118,776	102,462
Net interest income	64,232	52,468	40,160
Provision for losses	(641)	(628)	(406)
Other income	9,704	9,269	10,885
Operating, administrative and general expenses	(48,080)	(39,067)	(33,046)
Operating income	25,215	22,042	17,593
Income taxes	10,224	9,073	7,055
Net income	\$ 14,991	\$ 12,969	\$ 10,538

(in thousands)	December 31,	
	1991	1990
Balance sheet data		
Assets		
Cash and equivalents	\$ 55,163	\$ 99,063
Investment securities	59,414	49,155
Mortgage-backed securities	802,430	825,292
Loans receivable, net	1,148,626	937,050
Other	55,476	58,627
Goodwill and other intangibles	54,680	59,035
	\$2,175,789	\$2,028,222

Liabilities and equity		
Deposit liabilities	\$1,615,361	\$1,511,291
Securities sold under agreements to repurchase	131,018	139,367
Advances from Federal Home Loan Bank	258,593	205,716
Other	32,809	41,562
Total liabilities	2,037,781	1,897,936
Common stock equity	138,008	130,286
	\$2,175,789	\$2,028,222

(in thousands)	1991	1990	1989*
Cash flow data			
Cash flows from operating activities			
Net income	\$ 14,991	\$ 12,969	\$ 10,538
Adjustments to reconcile net income to net cash provided by operating activities:			
Decrease (increase) in accounts receivable	3,424	(6,237)	(2,309)
Increase (decrease) in accounts payable	2,003	(1,136)	4,863
Other	7,409	(2,909)	(4,034)
Net cash provided by operating activities	27,827	2,687	9,058
Cash flows from investing activities			
Loans receivable originated and purchased	(379,445)	(365,109)	(312,536)
Principal repayments on loans receivable	164,848	147,745	115,463
Proceeds from sale of loans receivable	6,271	9,637	2,633
Mortgage-backed securities purchased	(169,276)	(236,198)	(169,862)
Principal repayments on mortgage-backed securities	162,269	89,016	61,183
Proceeds from sale of mortgage-backed securities	29,543	19,663	21,036
Other	(13,951)	8,328	(10,961)
Net cash used in investing activities	(199,741)	(326,918)	(293,044)
Cash flows from financing activities			
Net increase in deposit liabilities	104,070	170,014	130,322
Proceeds from assumption of deposit liabilities	—	238,967	—
Proceeds from securities sold under agreements to repurchase	235,307	278,206	693,393
Repurchase of securities sold under agreements to repurchase	(242,876)	(262,777)	(570,839)
Proceeds from advances from Federal Home Loan Bank	178,860	326,239	232,800
Principal payments on advances from Federal Home Loan Bank	(126,000)	(374,100)	(191,000)
Other	(21,347)	(7,942)	8,243
Net cash provided by financing activities	128,014	368,607	302,919
Net increase (decrease) in cash and equivalents	(43,900)	44,376	18,933
Cash and equivalents, beginning of year	99,063	54,687	35,754
Cash and equivalents, end of year	\$ 55,163	\$ 99,063	\$ 54,687

* ASB's consolidated financial information does not reflect the 1989 corporate-level segment cost allocations referred to in Note 2, "Business group and segment financial information."

Securities purchased under agreements to resell. Securities purchased under agreements to resell averaged \$55 million during 1989, and the maximum amount outstanding at any month-end during 1989 was \$121 million. There were no securities purchased under agreements to resell during 1991 and 1990.

Mortgage-backed securities. The weighted average interest rate of mortgage-backed securities at December 31, 1991 and 1990 was 8.72% and 9.68%, respectively.

Mortgage-backed securities with a carrying value of approximately \$75 million and \$65 million at December 31, 1991 and 1990, respectively, were pledged as collateral to secure deposits and other liabilities. At December 31, 1991 and 1990, mortgage-backed securities sold under agreements to repurchase had a carrying value of \$142 million and \$153 million, respectively.

Loans receivable. Loans receivable consisted of the following:

	December 31,	
(in thousands)	1991	1990
Real estate loans		
Conventional	\$ 975,591	\$ 791,709
Other	25,571	8,024
	1,001,162	799,733
Loans secured by savings deposits	15,528	16,968
Consumer loans	144,356	128,387
Commercial loans	22,998	19,591
	1,184,044	964,679
Undisbursed portion of loans in process	(15,290)	(9,634)
Deferred fees and discounts, including		
net purchase accounting discounts	(16,310)	(14,608)
Allowance for loan losses	(3,818)	(3,387)
	\$1,148,626	\$ 937,050

Nonaccrual and renegotiated loans were \$1 million at December 31, 1991 and 1990.

At December 31, 1991 and 1990, the weighted average interest rate for loans receivable was 9.71% and 10.50%, respectively.

At December 31, 1991 and 1990, real estate loans with unpaid principal balances of approximately \$310 million and \$247 million, respectively, were pledged as collateral to secure advances from the Federal Home Loan Bank.

Mortgage loan commitments of approximately \$40 million are not reflected on the balance sheet as of December 31, 1991. Of such commitments, \$13 million were for variable-rate mortgage loans and \$27 million were for fixed-rate mortgage loans.

Allowance for loan losses. For the years ended December 31, 1991, 1990 and 1989, net charge-offs amounted to \$0.2 million. The ratio of net charge-offs to average loans outstanding was 0.02% for the years ended December 31, 1991, 1990 and 1989.

Real estate acquired in settlement of loans. At December 31, 1991 and 1990, ASB had no real estate acquired in settlement of loans.

Deposit liabilities. Deposit liabilities consisted of the following:

(in thousands)	December 31,			
	1991		1990	
	Weighted average rate	Amount	Weighted average rate	Amount
Commercial checking	— %	\$ 11,000	— %	\$ 9,124
Interest-bearing				
checking	5.25	182,413	5.25	153,529
Passbook accounts	5.40	422,370	5.30	352,707
Money market				
accounts	5.58	182,108	6.66	134,357
Term certificates	6.56	817,470	7.90	861,574
	5.95%	\$1,615,361	6.87%	\$1,511,291

The approximate scheduled maturities of term certificates outstanding at December 31, 1991 were \$717 million in 1992, \$52 million in 1993, \$21 million in 1994, \$12 million in 1995, \$5 million in 1996 and \$10 million in subsequent years.

The interest expense on savings deposits by type of deposit was as follows:

(in thousands)	1991	1990	1989
Interest-bearing checking	\$ 8,575	\$ 6,354	\$ 5,235
Passbook accounts	20,266	16,993	15,673
Money market accounts	9,845	6,569	4,013
Term certificates	60,356	56,213	44,947
	\$99,042	\$86,129	\$69,868

Securities sold under agreements to repurchase.

At December 31, 1991 and 1990, securities sold under agreements to repurchase consisted of mortgage-backed securities sold under fixed-coupon agreements. The mortgage-backed securities underlying the agreements were delivered to the brokers or dealers who arranged the transactions. At December 31, 1991 and 1990, however, the \$142 million and \$153 million carrying value of securities underlying the agreements, including accrued interest of approximately \$2 million, remains in ASB's asset accounts. The obligations to repurchase securities sold are reflected as a liability in the consolidated balance sheets. At December 31, 1991 and 1990, approximately \$131 million and \$139 million, respectively, of agreements to repurchase identical securities were outstanding. Securities sold under agreements to repurchase averaged \$124 million, \$151 million and \$108 million during 1991, 1990 and 1989, respectively, and the maximum amount outstanding at any month-end during 1991, 1990 and 1989 was \$136 million, \$169 million and \$213 million, respectively.

Advances from Federal Home Loan Bank. Advances from the Federal Home Loan Bank (FHLB) are secured by real estate loans and stock in the FHLB and are summarized as follows:

December 31,				
(in thousands)	1991		1990	
	Weighted average rate	Amount	Weighted average rate	Amount
Due in				
1991	—%	\$ —	7.52%	\$ 125,993
1992	7.57	66,494	8.99	45,985
1993	8.57	21,917	8.57	21,917
1994	7.60	60,000	—	—
1995	8.33	16,822	8.59	11,821
1996	7.48	52,860	—	—
1997	6.95	40,500	—	—
	7.60%	\$258,593	8.02%	\$205,716

ASB is required to own a specific number of shares of capital stock of the FHLB of Seattle (see Note 6) and is required to maintain cash and investments in U.S. Government and other qualifying securities in an amount equal to 5% of the amount of its savings accounts and other obligations due within one year.

Common stock equity. OTS regulations, effective December 7, 1989, require each thrift institution to have regulatory capital at least sufficient to meet three requirements: tangible capital and core (leverage) capital of 1.5% and 3.0%, respectively, of adjusted total assets, and a risk-based capital standard equal to 8.0% of risk-adjusted assets. The risk-based capital requirement is being phased in, with 90% compliance by December 31, 1990 and 100% compliance by December 31, 1992. As of December 31, 1991, ASB was in full compliance with all of the minimum capital requirements.

5 • Real estate subsidiary

MPC and its subsidiaries are engaged in real estate development activities, primarily through joint ventures. At December 31, 1991 and 1990, MPC and its subsidiaries' equity investment in real estate joint ventures amounted to \$16 million and \$14 million, respectively. Additionally, MPC and its subsidiaries have extended loans to the joint ventures with outstanding balances totaling \$20 million and \$21 million at December 31, 1991 and 1990, respectively. Most of the loans outstanding at December 31, 1991 bear interest at the primary index rate established by Bank of Hawaii plus 2%, are due and payable in 1995 and are secured by real property. In 1991, these joint ventures recorded sales of 136 single and multi-family homes and 99 residential lots. In 1990 and 1989, sales activity of these joint ventures was not significant.

Related party transactions. Three of the joint ventures involve partnerships in which two of the directors of the Company have significant interests. One of these joint ventures has an interest in a partnership which involves a corporate partner in which the family of an officer of the Company has a significant interest. Loans to and investments in the joint ventures with related parties aggregated \$28 million and \$29 million as of December 31, 1991 and 1990, respectively.

Commitments and contingencies. MPC and its subsidiaries, along with its joint venture partners, have issued guarantees of joint venture project and site work completion and guarantees of all joint venture construction loans and loan facilities totaling \$106 million. At December 31, 1991, joint venture construction loans outstanding for which the guarantees have been issued totaled \$47 million.

6 • Investments

Marketable securities consisted of the following:

(in thousands)	December 31,			
	1991		1990	
	Carrying value	Estimated market value	Carrying value	Estimated market value
Savings bank				
Mortgage-backed and other debt securities	\$ 843,912	\$ 875,798	\$ 858,203	\$ 868,118
Stock in Federal Home Loan Bank of Seattle	17,932	17,932	16,244	16,244
Insurance				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	50,504	50,504	45,127	45,127
Obligations of states and political subdivisions	13,961	13,961	9,989	9,989
Debt securities issued by foreign governments	50	50	49	49
Corporate debt securities	44,181	44,181	30,679	30,679
Mortgage-backed securities	22,075	22,075	30,220	30,220
Other debt securities	11,310	11,310	3,265	3,265
Common stock	12,335	12,335	8,595	8,595
Preferred stock	354	354	—	—
Other				
Corporate preferred stock:				
Not subject to mandatory redemption	—	—	6,348	6,348
Subject to mandatory redemption	3,000	3,000	6,231	6,231
	\$1,019,614	\$1,051,500	\$1,014,950	\$1,024,865

The amortized cost and estimated market values of ASB's mortgage-backed and other debt securities were as follows:

(in thousands)	December 31,							
	1991				1990			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Savings bank								
Mortgage-backed securities:								
Federal Home Loan Mortgage Corporation ..	\$259,597	\$18,188	\$ —	\$277,785	\$272,581	\$ 6,844	(\$ 199)	\$279,226
Private issue	506,702	9,901	(105)	516,498	512,895	2,735	(904)	514,726
Government National Mortgage Association ..	14,315	1,306	—	15,621	15,375	479	—	15,854
Federal National Mortgage Association	21,816	1,658	—	23,474	24,441	569	—	25,010
U.S. Government and federal agencies securities	27,606	938	—	28,544	32,911	391	—	33,302
Other	13,876	—	—	13,876	—	—	—	—
	\$843,912	\$31,991	(\$105)	\$875,798	\$858,203	\$11,018	(\$1,103)	\$868,118

The amortized cost and estimated market value of ASB's investment in U.S. Government and federal agencies debt securities and other debt securities, exclusive of mortgage-backed securities, at December 31, 1991, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(in thousands)	Amortized cost	Estimated market value
Due in one year or less	\$11,997	\$12,155
Due after one year through five years	15,609	16,389
Due after ten years	13,876	13,876
	<u>\$41,482</u>	<u>\$42,420</u>

Contractual maturities are not presented for ASB's investment in mortgage-backed securities because these securities are not due at a single maturity date.

Proceeds from the sale of mortgage-backed securities were approximately \$30 million, \$20 million and \$21 million for 1991, 1990 and 1989, respectively. Gross gains realized on the sale of mortgage-backed securities in 1989 amounted to \$1 million. The proceeds on the sale of individual mortgage-backed securities in 1991 and 1990 approximated the carrying values for those securities. There were no sales of ASB's other debt securities during 1991 and 1990. Proceeds from sale of other debt securities in 1989 by ASB amounted to approximately \$2 million for a gross gain of \$1 million.

Other investments, which have no ready market, consisted of the following:

(in thousands)	December 31,	
	1991	1990
Leveraged leases (see Note 7)	\$50,340	\$48,993
Real estate joint venture interests	15,867	14,321
Other	5,845	5,853
	<u>\$72,052</u>	<u>\$69,167</u>

Net realized gains from the sale and writedown of investments, excluding ASB's mortgage-backed and other debt securities, were \$3 million in 1991. Net realized losses were \$12 million in 1990 and net realized gains were \$3 million in 1989. The net realized losses in 1990 were primarily attributable to HEIIC's write-off of its \$5.9 million investment (\$5.0 million after-tax write-off) in Ocean Farms of Hawaii and writedown of its preferred stock portfolio by \$6.7 million for which no income tax benefit was recognized.

Unrealized gains or losses relating to marketable equity securities held as long-term investments and marketable securities held for trading by the insurance company are reflected in stockholders' equity. At December 31, 1991, these unrealized gains were \$3 million and unrealized losses were \$1 million. At December 31, 1990, these unrealized gains and losses were not material.

7 • Investment in leveraged leases

HEIIC owns commercial real estate which is subject to several leveraged lease agreements entered into in 1987. The initial lease terms expire in 2009 and 2010, after which the lessees have options to renew the leases for additional periods of up to 28 years. The real estate reverts back to HEIIC at the end of the last renewal term if not purchased by the lessees.

HEIIC has a 25% interest in a leveraged lease agreement entered into in 1985 under which 60% of an 818 megawatt coal-fired generating unit was leased until 2013. The lessee has options to renew the lease at fixed rentals for at least 8.5 additional years, and thereafter at fair market rentals.

HEIIC's net investment in leveraged leases was as follows:

(in thousands)	December 31,	
	1991	1990
Rentals receivable, net of principal and interest on nonrecourse debt	\$49,441	\$49,442
Estimated residual value of leased assets	35,268	35,268
Less unearned income	(34,369)	(35,717)
Investment in leveraged leases	50,340	48,993
Less deferred taxes arising from leveraged leases	(43,480)	(41,768)
	<u>\$ 6,860</u>	<u>\$ 7,225</u>

8 • Property, plant and equipment

Property, plant and equipment consisted of the following:

(in thousands)	December 31,	
	1991	1990
Land	\$ 33,331	\$ 29,657
Plant and equipment	1,706,845	1,622,746
Construction in progress	117,524	54,844
	1,857,700	1,707,247
Less—accumulated depreciation	(572,920)	(517,597)
	<u>\$1,284,780</u>	<u>\$1,189,650</u>

9 • Short-term borrowings

Short-term borrowings at December 31, 1991 and 1990 consisted of commercial paper.

HEI maintained bank lines of credit which totaled \$35 million and \$60 million at December 31, 1991 and 1990, respectively. HECO maintained bank lines of credit which totaled \$55 million and \$70 million at December 31, 1991 and 1990, respectively. The HEI and HECO lines of credit support the issuance of commercial paper. There were no borrowings against any line of credit during 1991 and 1990.

10 • Long-term debt

Long-term debt consisted of the following:

(in thousands)	December 31,	
	1991	1990
First mortgage bonds		
4.45-6.875%, due in various years through 1997	\$ 40,860	\$ 54,870
7 ³ / ₈ -11 ⁷ / ₈ %, due in various years through 2016	123,000	135,000
16 ¹ / ₂ %, due in 2006	—	6,000
	163,860	195,870
Obligations to the State of Hawaii for the repayment of special purpose revenue bonds issued on behalf of electric utility subsidiaries		
6 ⁷ / ₈ % refunding series 1987, due 2012 ..	57,500	57,500
7.2% series 1984, due 2014	11,400	11,400
7 ¹ / ₂ % series 1988, due 2018	50,000	50,000
7.35-7.6% series 1990, due 2020	100,000	100,000
	218,900	218,900
Less funds on deposit with trustees	(18,123)	(58,702)
	200,777	160,198
Promissory notes		
7.59-9.9%, due in various years through 2013	153,335	85,401
Variable rate (5.538% at December 31, 1991), due 1992	20,000	20,000
8.44-8.7% ASB medium-term notes collateralized by mortgage-backed securities, paid in 1991	—	14,000
Other	2,004	2,294
	175,339	121,695
Total	\$539,976	\$477,763

The first mortgage bonds are secured by indentures which purport to be liens on substantially all of the real and personal property now owned or hereafter acquired by the respective electric utility subsidiaries.

In March 1991 and December 1991, HEI issued \$35 million and \$50 million, respectively, of senior unsecured debt. The \$35 million issuance is comprised of a \$25 million 8.375% note due in 1994 and a \$10 million 8.92% note due in 1996. The \$50 million issuance is comprised of \$26 million 7.59% notes due in 1996, a \$2 million 8.20% note due in 1999 and \$22 million 8.52% notes due in 2001.

During 1990, three series of fixed rate, tax-exempt special purpose revenue bonds totaling \$100 million were issued by the Department of Budget and Finance of the State of Hawaii on behalf of the electric utility subsidiaries. The funds on deposit with trustees represent the undrawn proceeds from the issuance of the special purpose revenue bonds and earn interest at market rates. These funds are only available to the electric utility subsidiaries for certain authorized construction projects and certain expenses related to the bonds.

At December 31, 1991, the aggregate payments of principal required on long-term debt during the next five years are \$21 million in 1992 and 1993, \$27 million in 1994, \$33 million in 1995 and \$38 million in 1996.

11 • Capital stock

Changes to common stock were as follows:

(in thousands)	Shares	Common stock
Balance, December 31, 1988	20,681	\$271,292
Issuance of common stock		
Dividend reinvestment and stock purchase plan	518	16,865
HEI retirement savings and other plans ..	67	2,133
Expenses and other	—	(700)
Balance, December 31, 1989	21,266	289,590
Issuance of common stock		
Dividend reinvestment and stock purchase plan	516	16,551
HEI retirement savings and other plans ..	136	4,549
Expenses and other	—	(433)
Balance, December 31, 1990	21,918	310,257
Issuance of common stock		
Public offering	1,200	41,250
Dividend reinvestment and stock purchase plan	652	22,476
HEI retirement savings and other plans ..	97	3,145
Expenses and other	—	(345)
Balance, December 31, 1991	23,867	\$376,783

At December 31, 1991, the Company had reserved a total of 1,396,000 shares of common stock for issuance under the HEI retirement savings plan, the dividend reinvestment and stock purchase plan, and the stock option and incentive plan.

At December 31, 1991 and 1990, 10,000,000 shares of HEI cumulative preferred stock without par value were authorized but not issued.

12 • Interest expense

Interest expense consisted of the following:

(in thousands)	1991	1990	1989
Interest expense			
Financial services	\$124,532	\$118,503	\$102,104
Nonfinancial services	43,599	41,160	42,931
	\$168,131	\$159,663	\$145,035

13 • Income taxes

The components of income taxes were as follows:

(in thousands)	1991	1990	1989
Federal			
Current	\$22,664	\$36,213	\$23,117
Deferred	3,487	(10,847)	2,563
Deferred tax credits, net	(2,035)	(2,011)	(2,281)
	24,116	23,355	23,399
State			
Current	2,651	3,242	1,643
Deferred	1,467	(990)	1,185
Deferred tax credits, net	1,685	3,404	2,672
	5,803	5,656	5,500
Total	\$29,919	\$29,011	\$28,899

Deferred income taxes result from timing differences in the recognition of revenues and expenses for tax and financial reporting purposes. The sources of timing differences and the related deferred tax amounts were as follows:

(in thousands)	1991	1990	1989
Excess of tax pension deduction over book expense	\$2,984	\$ —	\$ —
Excess of tax depreciation over book straight-line depreciation rates	2,097	3,127	4,834
Excess tax deductions from leveraged leases	2,676	2,305	5,855
Contributions in aid of construction and customer advances, net	(2,773)	(10,611)	(4,359)
Increase in insurance book loss reserve in excess of tax loss reserve	(1,761)	(791)	(516)
Unbilled revenues at December 31, 1986 amortized for tax purposes	—	(2,081)	(2,024)
Interest capitalized for tax purposes	(1,967)	(2,189)	(1,883)
Other	3,698	(1,597)	1,841
	\$4,954	(\$11,837)	\$3,748

At December 31, 1991, deferred income taxes of approximately \$7 million (at current tax rates) were not provided for cumulative net timing differences related to electric utility operations. It is expected that these taxes will be recovered through future utility rates.

A reconciliation of the amount of income taxes computed at the 34% federal statutory rate to income taxes provided in the Company's Consolidated Statements of Income is as follows:

(in thousands)	1991	1990	1989
Amount at the federal tax rate	\$28,813	\$24,688	\$31,611
Preferred stock dividends of electric utility subsidiaries	2,342	2,397	1,574
Allowance for funds used during construction	(1,403)	(1,584)	(1,358)
Writedown of capital assets for which no tax benefit was recognized	—	3,885	—
State income taxes, net of effect on federal income taxes	3,830	3,856	3,731
Difference between book and tax straight-line depreciation for which no deferred taxes were provided	2,676	2,185	1,954
Amortization of deferred tax credits	(2,051)	(2,053)	(2,082)
Amortization of utility deferred income taxes in excess of current rates	(1,537)	(1,893)	(1,947)
Utilization of capital loss carryforwards	(481)	(261)	(2,275)
Other	(2,270)	(2,209)	(2,309)
Income taxes	\$29,919	\$29,011	\$28,899

At December 31, 1991, the Company had preacquisition net operating loss carryforwards of approximately \$3 million available to be applied against future federal taxable income of the applicable acquired subsidiaries which generated the net operating losses. These carryforwards will expire in the year 2000. Future tax benefits realized from the utilization of the preacquisition loss carryforwards will be applied as a reduction of goodwill. During 1991, 1990 and 1989, the Company reduced goodwill by \$2 million, \$2 million and \$4 million, respectively, as a result of the utilization of preacquisition loss carryforwards.

At December 31, 1991, for financial statement purposes, the Company also had capital loss carryforwards of \$10 million, primarily from losses incurred in 1987 and investment writedowns in 1990. For income tax purposes, these loss carryforwards also totaled \$10 million, of which \$4 million, \$3 million and \$3 million will expire if not used by 1992, 1993 and 1996, respectively.

In December 1987, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes." The new standard requires companies to use the asset and liability method of accounting for income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The provisions of SFAS No. 96 must be adopted by the Company no later than 1993. The FASB currently has under consideration a pronouncement that would supersede SFAS No. 96. This proposed pronouncement also requires the asset and liability method of accounting for income taxes. Management plans to record a cumulative adjustment in the year the Company implements SFAS No. 96 or the proposed pronouncement rather than restate all prior years. Primarily due to the regulated nature of the electric utility subsidiaries, the Company believes that the implementation of SFAS No. 96 or the proposed pronouncement will not have a material effect on common stock equity.

14 • Cash flows

Supplemental disclosures of cash flow information. Cash paid for interest (net of capitalized amounts which were not material) and income taxes was as follows:

(in thousands)	1991	1990	1989
Interest (including interest from financial services and non-financial services, but excluding interest on nonrecourse debt from leveraged leases)	\$170,442	\$157,799	\$139,797
Income taxes	\$ 29,680	\$ 32,267	\$ 22,911

In 1991, 1990 and 1989, cash paid for interest on nonrecourse debt from leveraged leases amounted to \$11 million.

Supplemental disclosures of noncash activities. ASB exchanged approximately \$65 million and \$87 million of loans receivable for mortgage-backed securities in 1990 and 1989. In 1991, ASB did not exchange loans receivable for mortgage-backed securities.

Common stock dividends reinvested by shareholders in HEI common stock in noncash transactions amounted to \$14 million in 1991 and \$10 million in 1990 and 1989.

The allowance for equity funds used during construction, which was capitalized as part of the cost of electric utility plant, amounted to \$4 million, \$5 million and \$4 million in 1991, 1990 and 1989, respectively.

15 • Stock option and incentive plan

In April 1987, HEI stockholders approved the 1987 Stock Option and Incentive Plan under which an aggregate of 500,000 shares of common stock may be issued to officers and key employees as incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights, stock payments or dividend equivalents.

The purchase price of common stock under each incentive stock option may not be less than the fair market value on the date of grant. The purchase price of common stock under each nonqualified stock option may not be less than 85% of the fair market value of the common stock on the date of grant. Options may be exercised as determined by the Compensation Committee of the Board of Directors, but in no event after 10 years from the date of grant in the case of incentive stock options or after 10 years and one day from the date of grant in the case of nonqualified stock options.

Nonqualified stock option transactions were as follows:

	1991	1990	1989
Options outstanding, January 1	152,500	98,500	73,500
Granted	98,500	56,500	34,000
Exercised	(20,500)	(2,500)	(9,000)
Cancelled	(3,000)	—	—
Options outstanding, December 31	227,500	152,500	98,500
Options exercisable, December 31	92,750	46,500	23,125
Price range for options			
Exercised:			
High	\$33	\$33	\$33
Low	\$27	\$33	\$27
Outstanding, December 31:			
High	\$36	\$36	\$33
Low	\$27	\$27	\$27

16 • Retirement benefits

The Company has several defined benefit pension plans which cover substantially all employees. Benefits are based on the employee's years of service and base compensation.

The funded status of the pension plans and the amounts recognized in the consolidated financial statements were as follows:

(in thousands)	December 31,	
	1991	1990
Accumulated benefit obligation		
Vested	\$227,701	\$236,944
Nonvested	29,994	2,593
	\$257,695	\$239,537
Projected benefit obligation	\$318,432	\$301,165
Plan assets at fair value, primarily equity securities and fixed income investments	353,690	280,409
Projected benefit obligation in excess of (less than) plan assets	(35,258)	20,756
Unrecognized prior service cost	(1,153)	(666)
Unrecognized net gain	65,876	11,690
Unrecognized net transition obligation	(27,051)	(29,357)
Adjustment required to recognize minimum liability	1,015	1,114
Accrued pension liability	\$ 3,429	\$ 3,537

The accumulated benefit obligation is the actuarial present value of benefits attributed to past services rendered by employees based on recent pay levels. The projected benefit obligation is the accumulated benefit obligation adjusted for the effect of assumed future pay increases. Plans with an accumulated benefit obligation exceeding assets were not material.

Net pension cost included the following components:

(in thousands)	1991	1990	1989
Service cost-benefits earned			
during the period	\$ 9,518	\$ 9,212	\$ 8,426
Interest cost on projected benefit			
obligation	24,741	23,090	21,158
Actual loss (return) on plan assets	(73,139)	5,168	(51,800)
Net amortization and deferral	55,043	(22,671)	35,442
Net periodic pension cost	\$16,163	\$14,799	\$13,226

Of these net periodic pension costs, \$11 million, \$11 million and \$9 million were expensed in 1991, 1990 and 1989, respectively, and the remaining amounts were charged primarily to electric utility plant and plant-related accounts.

For all pension plans, as of December 31, 1991 and 1990, the discount rate assumed in determining the actuarial present value of the projected benefit obligation was 8.5%. For 1991, 1990 and 1989, the expected long-term rate of return on assets was 8.0% and the assumed rate of increase in future compensation levels was 5%.

The unrecognized net transition obligation is the projected benefit obligation in excess of plan assets at January 1, 1987, less amounts amortized. For most of the plans, the unrecognized net transition obligation is being amortized over 16 years beginning in 1987.

Payments for postretirement benefits other than pensions amounted to \$3 million in 1991, 1990 and 1989. The cost of these benefits is not recognized until paid. Accordingly, no provision has been made for future postretirement benefits other than pensions to retired employees.

In December 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires accrual, during the years that an employee renders the necessary service, of the expected cost of providing those benefits to that employee and the employee's beneficiaries and covered dependents. The provisions of SFAS No. 106 must be adopted by the Company no later than 1993. SFAS No. 106 provides two options for recognizing the transition obligation (i.e., the unfunded and unrecognized accumulated postretirement benefit obligation at date of adoption of the accounting standard)—immediate recognition or recognition on a delayed basis. Management intends to implement SFAS No. 106 in 1993 and recognize the transition obligation on a delayed basis. An application will be filed asking the PUC to open a docket to determine whether SFAS No. 106 should be adopted for rate-making purposes. If SFAS No. 106 is adopted for rate-making purposes or if it is determined that the increase in expense under

SFAS No. 106 gives rise to an offsetting regulatory asset under current PUC rate-making procedures, then the adoption of SFAS No. 106 for financial reporting purposes is not expected to have a significant effect on future results of operations. The accounting profession is currently considering the circumstances under which a regulatory asset can be recognized for postretirement benefits other than pensions. If SFAS No. 106 is not adopted for rate-making purposes and if under accounting guidelines existing at the time of adoption it is concluded that recognition of a regulatory asset would be inappropriate, then the adoption of SFAS No. 106 would result in a reduction in net income. Estimated costs for postretirement benefits other than pensions would be approximately \$20 million greater in 1992 if such benefits were determined under the provisions of SFAS No. 106 (assuming the recognition of the transition obligation on a delayed basis) rather than under the current pay-as-you-go basis. A portion of the increase in such expense might be capitalized as part of the cost of capital projects. The transition obligation is estimated to be \$131 million as of January 1, 1992.

17 • Regulatory restrictions on net assets

At December 31, 1991, net assets (assets less liabilities) of approximately \$418 million were not available for transfer to HEI from its subsidiaries in the form of dividends, loans or advances without regulatory approval. However, HEI expects that the regulatory restrictions will not affect significantly the operations of the Company nor its ability to pay dividends on its common stock.

18 • Significant group concentrations of credit risk

Substantially all of the Company's business activity is with customers located in the State of Hawaii. Most of the financial instruments reflected on the Balance Sheets are based in the State of Hawaii, except for the mortgage-backed securities. Substantially all real estate loans receivable are secured by real estate in Hawaii.

At December 31, 1991, ASB's private-issue mortgage-backed securities represent whole or participating interests in pools of first mortgage loans collateralized by real estate throughout the continental United States as follows:

Geographic area	Percentage of portfolio
California	87.7%
Other	12.3
	100.0%

Substantially all private-issue mortgage-backed securities at December 31, 1991, are rated investment grade by various securities rating agencies.

19 • Quarterly information (unaudited)

Selected quarterly information is as follows:

(in thousands, except per share amounts)	Quarter ended				Year ended
	March 31	June 30	Sept. 30	Dec. 31	Dec. 31
1991					
Revenues	\$286,720	\$260,465	\$274,147 ¹	\$262,509	\$1,083,841
Operating income	31,953	32,802	34,585 ¹	31,893	131,233
Net income	12,709	13,116	15,020 ¹	13,981	54,826
Earnings per common share ²	0.58	0.59	0.64	0.59	2.40
Dividends per common share ³	0.55	0.55	0.55	0.56	2.21
Market price per common share ⁴ :					
High	33.50	36.50	35.63	37.88	37.88
Low	29.38	31.38	31.88	35.00	29.38
1990					
Revenues	\$237,592	\$254,170	\$243,549	\$275,454 ⁵	\$1,010,765
Operating income	28,861	31,202	36,984	19,248 ⁵	116,295
Net income	11,321	13,805	16,597	1,879 ⁵	43,602
Earnings per common share ²	0.53	0.64	0.77	0.09	2.02
Dividends per common share ³	0.54	0.54	0.54	0.55	2.17
Market price per common share ⁴ :					
High	40.00	36.88	33.00	32.00	40.00
Low	35.25	32.00	27.25	27.50	27.25

¹ Includes the one-time effect of HECO and its subsidiaries' change in the method of estimating unbilled kilowatt-hour sales and revenues. The effect was approximately \$7 million on a pre-tax basis (\$4 million on an after-tax basis).

² The quarterly earnings per common share are based upon the weighted average number of shares of common stock outstanding in each quarter.

HEI has paid cash dividends on its common stock each year since 1901. HEI expects to continue its policy of paying regular quarterly cash dividends. However, the declaration and amount of future dividends will be dependent upon future earnings and other factors.

⁴ Market prices shown are as reported on the New York Stock Exchange. The common stock of HEI is traded on the New York and Pacific Stock Exchanges under the symbol HE.

⁵ Includes investment writedowns of \$12 million on a pre-tax basis (\$11 million on an after-tax basis).

Directors

Robert F. Clarke, 49 (1)
President and chief executive officer
Hawaiian Electric Industries, Inc.
Honolulu, Hawaii 1989*

Edwin L. Carter, 66 (1, 3)
President
Bishop Trust Company, Ltd. (financial services)
Honolulu, Hawaii 1985

John D. Field, 66
Retired vice president-regulatory affairs
GTE Service Corporation (telecommunications services)
Honolulu, Hawaii 1986

William G. Foster, 68 (1, 3)
Chairman of the board
Malia International, Ltd. (garment manufacturing)
Honolulu, Hawaii 1981

Richard Henderson, 63 (1, 3, 4)
President and general manager
HSC, Inc. (real estate investment and development)
Hilo, Hawaii 1981

Ben F. Kaito, 65 (1, 2)
Partner
Kaito & Ishida (private law firm)
Honolulu, Hawaii 1981

Victor Hao Li, S.J.D., 50 (2)
Private consultant
Honolulu, Hawaii 1988

Bill D. Mills, 40 (3)
Chairman of the board and chief executive officer
Mills/Dowling (real estate development)
Honolulu, Hawaii 1988

A. Maurice Myers, 51
President and chief executive officer
Aloha Airgroup, Inc.
(commercial air transportation services)
Honolulu, Hawaii 1991

Ruth M. Ono, Ph.D., 56
Vice president, The Queen's Health Systems
(hospital and health care services)
Honolulu, Hawaii 1987

Diane J. Plotts, 56 (3)
General partner
Hemmeter Investment Company
(real estate development)
Honolulu, Hawaii 1987

C. Dudley Pratt, Jr., 64 (1)
Trustee
The Estate of James Campbell (real estate development)
Retired president and chief executive officer
Hawaiian Electric Industries, Inc.
Honolulu, Hawaii 1981

Thurston Twigg-Smith, 70 (1, 4)
President and director
Honolulu Advertiser, Inc., and Persis Corporation
(newspaper publishing)
Honolulu, Hawaii 1981

Jeffrey N. Watanabe, 49 (2, 4)
Senior partner
Watanabe, Ing and Kawashima (private law firm)
Honolulu, Hawaii 1987

Harwood D. Williamson, 60
President and chief executive officer
Hawaiian Electric Company, Inc.
Group vice president-utility companies
Hawaiian Electric Industries, Inc.
Honolulu, Hawaii 1985

Committees of the board of directors
(1) Executive: Thurston Twigg-Smith, chairman
(2) Audit: Jeffrey N. Watanabe, chairman
(3) Compensation: Edwin L. Carter, chairman
(4) Nominating: Thurston Twigg-Smith, chairman

Subsidiary Outside Directors

Jorge G. Camara, M.D., 41
Camara Eye Clinic (ophthalmology)
Honolulu, Hawaii
American Savings Bank director 1991

Colin C. Cameron, 65
President Maui Land & Pineapple Co., Inc.
(commercial agriculture)
Kahului, Maui
Maui Electric Company director 1964

Arden G. Henderson, 63
Retired president
Maui Electric Company
Kahului, Maui
Maui Electric Company director 1977

Shiro "Sam" Hironaka, 71
Retired executive vice president
American Savings and Loan (financial services)
Wailuku, Maui
American Savings Bank director 1988

Richard T. Ishida, 56
Attorney at law
Goodsill Anderson Quinn & Stafel (private law firm)
Kona, Hawaii
Hawaii Electric Light Company director 1984

Mildred D. Kosaki, 67
Specialist in education research
Honolulu, Hawaii
Hawaiian Electric Company director 1973

Sanford J. Langa, 62
Attorney at law (private law firm)
Kahului, Maui
Maui Electric Company director 1961

B. Martin Luna, 53
Partner
Carlsmith, Ball, Wichman, Murray, Case,
Mukai and Ichiki (private law firm)
Wailuku, Maui
Maui Electric Company director 1979

Norman A. Oss, 67
Retired president
Hawaii Electric Light Company
Hilo, Hawaii
Hawaii Electric Light Company director 1983

Denzil W. Rose, 66
Retired president and general manager
Hawaii Motors (automobile dealership)
Hilo, Hawaii
Hawaii Electric Light Company director 1960

Donald K. Yamada, 60
President
Yamada Diversified Corporation
(construction and trucking services)
Hilo, Hawaii
Hawaii Electric Light Company director 1985

* Year of appointment or election to the board of directors

Hawaiian Electric Industries, Inc.

Robert F. Clarke

President and chief executive officer
1987 *

Harwood D. Williamson

Group vice president-utility companies
1956

Edward J. Blackburn, 61

Group vice president-diversified companies
1987

Robert F. Mougeot, 49

Financial vice president and chief financial officer
1988

Peter C. Lewis, 57

Vice president-administration
1968

Charles F. Wall, 52

Vice president and corporate information officer
1990

Andrew I. T. Chang, 52

Vice president-government relations
1985

Constance H. Lau, 39

Treasurer
1984

Curtis Y. Harada, 36

Controller
1989

Betty Ann M. Splinter, 46

Secretary
1974

Molly M. Egged, 41

Assistant secretary
1983

Subsidiary Presidents

Harwood D. Williamson

Hawaiian Electric Company, Inc.

Thomas J. Jezierny, 47

Maui Electric Company, Limited
1970

Warren H. W. Lee, 44

Hawaii Electric Light Company, Inc.
1972

Wayne K. Minami, 49

American Savings Bank, F.S.B.
1987

Thomas S. Adams, 44

The Hawaiian Insurance Guaranty Co., Ltd.
1983

Robert F. Mougeot

HEI Investment Corp.

Charles O. Swanson, 64

Hawaiian Tug & Barge Corp. and
Young Brothers, Limited
1979

Alfred P. Manning, 63

Hawaiian Electric Renewable Systems, Inc.
1988

Harvey L. Goth, 39

Malama Pacific Corp.
1991

* Year of employment by the company

Stockholder Information

Corporate Headquarters

Hawaiian Electric Industries, Inc.
900 Richards Street
Honolulu, Hawaii 96813

Telephone: 808-543-5662
Facsimile: 808-543-7966

Mailing address:
P. O. Box 730
Honolulu, Hawaii 96808-0730

Stock Transfer Division

P. O. Box 730
Honolulu, Hawaii 96808-0730
Telephone: 808-532-5841
Facsimile: 808-532-5868

Correspondence about stock ownership, dividend payments, transfer requirements, changes of address, lost stock certificates and account status may be directed to the Stock Transfer Division.

Copies of the Form 10-K annual report for Hawaiian Electric Industries, Inc. and Hawaiian Electric Company, Inc. may be obtained upon written request without charge from the Stock Transfer Division.

Stock Exchanges

Common stock symbol: HE
New York Stock Exchange
Pacific Stock Exchange

Transfer Agents

Common stock:
Hawaiian Electric Industries, Inc.
Stock Transfer Division

First Chicago Trust Company of New York
30 West Broadway
New York, New York 10007-2192
Telephone: 212-406-5482

Utility company preferred stock:
Hawaiian Electric Industries, Inc.
Stock Transfer Division

Dividends

Common stock record dates are normally on or about the 10th of February, May, August and November. Quarterly dividends are customarily paid on or about the 10th of March, June, September and December.

Utility company preferred stock quarterly dividends are paid on the 15th of January, April, July and October to stockholders of record on the 5th of these months.

Dividend Reinvestment Plan

Common stockholders of record, utility company preferred stockholders and Hawaii residents of legal age may enroll in the company's dividend reinvestment and stock purchase plan. Under the plan, dividends may be reinvested in additional shares of common stock and additional cash purchases of common stock may be made.

A prospectus describing the plan and an enrollment form may be obtained by writing or calling the Stock Transfer Division.

Institutional Investor and Securities Analyst Inquiries

Please direct inquiries to:

Constance H. Lau
Treasurer
Telephone: 808-543-7384

Gary S. Sharpe
Director-investor relations
Telephone: 808-543-7385

Facsimile: 808-543-7966

Annual Meeting

Tuesday, April 21, 1992, 9:30 a.m.
Pacific Ballroom
Ilikai Hotel
1777 Ala Moana Boulevard
Honolulu, Hawaii 96815
808-949-3811

Independent Auditors

KPMG Peat Marwick
Pauahi Tower
1001 Bishop Street - Suite 2100
Honolulu, Hawaii 96813
808-531-7286

A bright idea



to increase your investment

Dividend Reinvestment and Stock Purchase Plan

Hawaiian Electric Industries, Inc.

If you are an HEI common stock holder of record, utility company preferred stockholder of record or a Hawaii resident of legal age, you can enroll in HEI's **Dividend Reinvestment and Stock Purchase Plan**. Participants in the plan can buy shares of HEI common stock by automatically reinvesting their dividends and by making optional

cash payments to the plan. The price you pay for the shares is based on market prices without brokerage fees or other administrative charges.

For a prospectus and more information about the plan, send in the card below.

Yes, I would like more information about HEI's **Dividend Reinvestment and Stock Purchase Plan**. Please send me a prospectus and information package.

Name _____

Address _____

City _____

State _____

Zip _____

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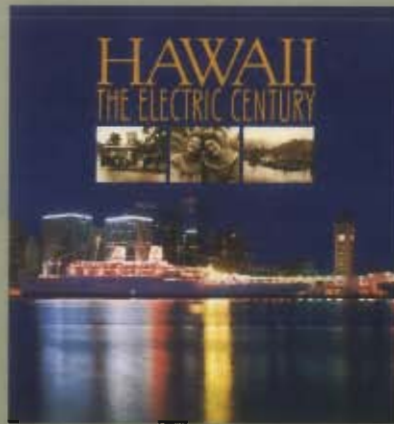


Hawaii : The Electric Century

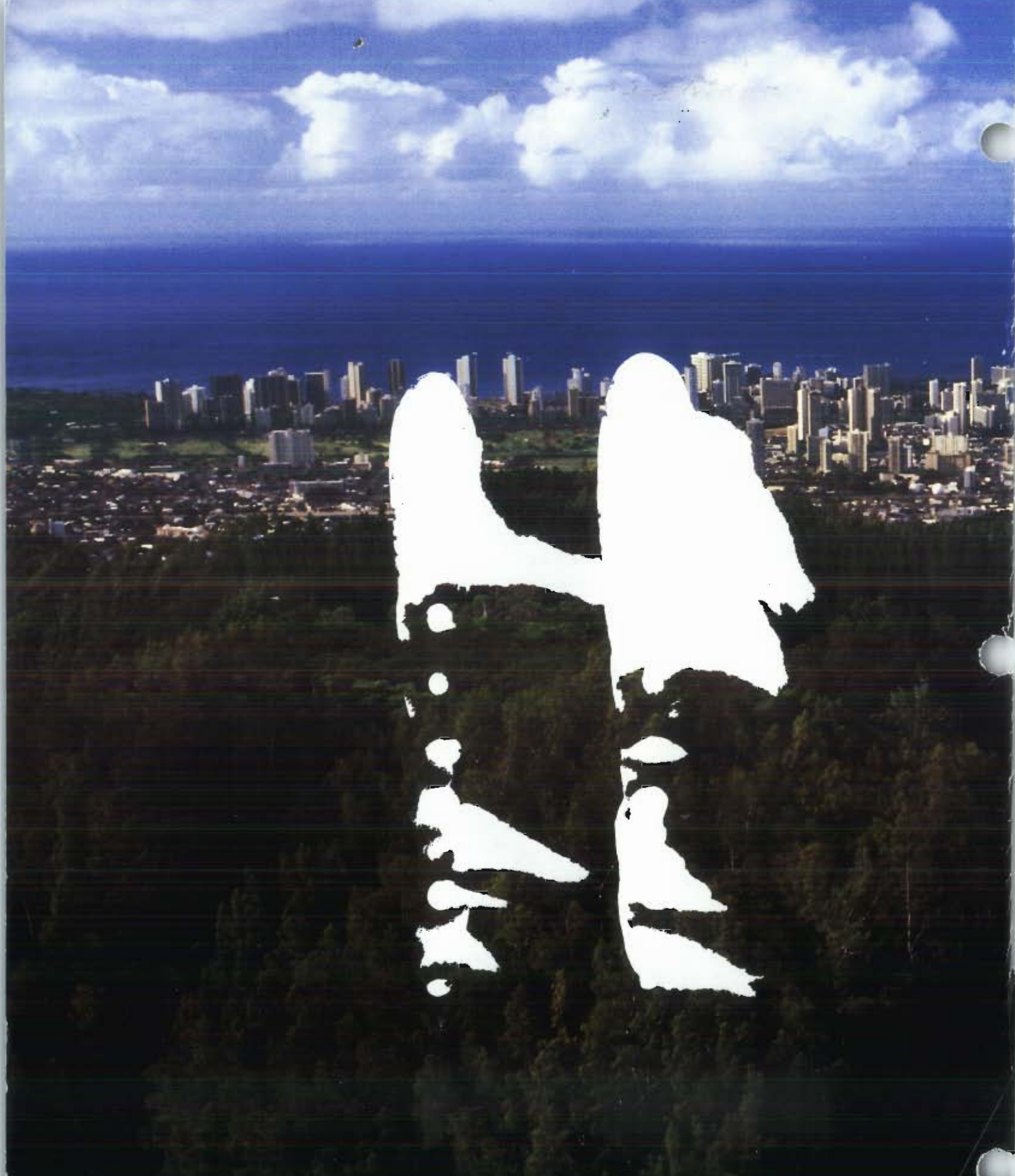
Founded on October 13, 1891, Hawaiian Electric Company, the principal subsidiary of Hawaiian Electric Industries, commemorated 100 years of serving the people of Hawaii with the publication of **Hawaii: The Electric Century**, a 128-page book of vintage and modern photographs.

While the role of electricity is interwoven in its photographs and words, **Hawaii: The Electric Century** is more than that. It tells the story of a special place marked by great changes. The book, which measures 10½ by 11½ inches, offers fascinating glimpses of life on the island of Oahu around the turn of the century.

This collection of photos and facts provides valuable insight into how present-day Oahu has been shaped by its rich past, as well as a hint of what lays in the future.



The book may be ordered for \$25.95 by writing:
Hawaiian Electric Company
Corporate Communications Division
Post Office Box 2750
Honolulu, Hawaii 96840



Hawaiian Electric Industries, Inc.
PO Box 730
Honolulu, Hawaii 96808-0730