

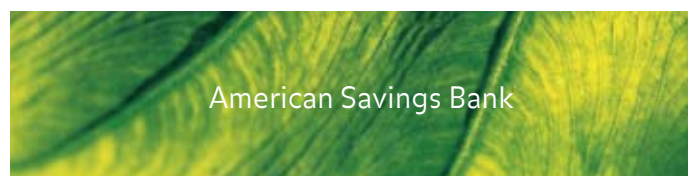


2008 SUMMARY REPORT TO SHAREHOLDERS

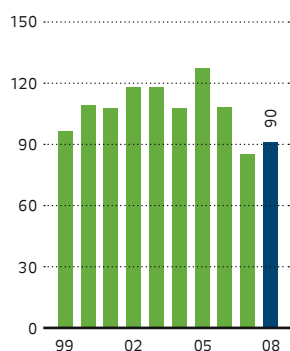
BUILDING A BRIGHTER TOMORROW



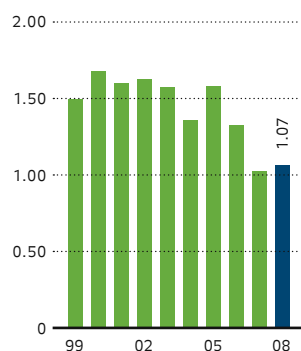
HAWAIIAN ELECTRIC INDUSTRIES, INC. (HEI), through its subsidiaries,
HAWAIIAN ELECTRIC COMPANY, INC. and **AMERICAN SAVINGS BANK, F.S.B.**,
 provides essential electric and financial services ensuring a brighter future for the communities it serves.



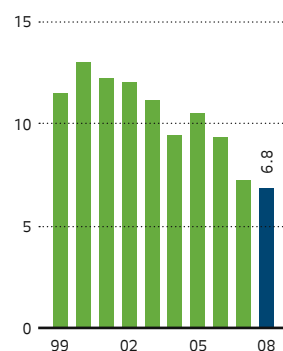
INCOME FROM CONTINUING OPERATIONS ⁽¹⁾
 (millions of dollars)



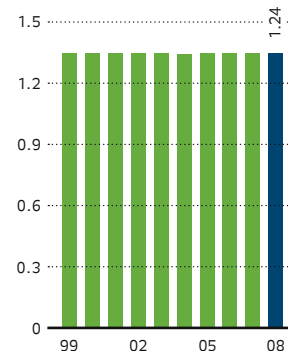
BASIC EARNINGS PER SHARE – CONTINUING OPERATIONS ^(1, 2)
 (dollars)



RETURN ON AVERAGE COMMON EQUITY – CONTINUING OPERATIONS ⁽¹⁾
 (percent)



DIVIDENDS PER COMMON SHARE ⁽²⁾
 (dollars)



⁽¹⁾ 2008 consolidated and bank net income included a \$36 million after-tax charge (\$0.42 per share) resulting from American's balance sheet restructuring. The balance sheet restructuring reduced the size of the bank's balance sheet by approximately \$1 billion, while enabling the bank to maintain its earnings power on a lower capital base and dividend excess capital to HEI. Return on average common equity – continuing operations, adjusted to exclude the \$36 million after-tax balance sheet restructuring charge, was 9.3 percent.

⁽²⁾ Adjusted for a 2-for-1 stock split in June 2004

FINANCIAL HIGHLIGHTS

Years ended December 31	2008 ⁽¹⁾	2007	2006
(dollars in millions, except per share amounts)			
Operating income	\$ 204	\$ 204	\$ 239
Net income (loss) by segment			
Electric utility	92	52	75
Bank	18	53	56
Other	(20)	(20)	(23)
Net income	90	85	108
Basic earnings per common share	1.07	1.03	1.33
Dividends per common share	1.24	1.24	1.24
Book value per common share ⁽²⁾	15.35	15.29	13.44
Market price per common share			
High	29.75	27.49	28.94
Low	20.95	20.25	25.69
December 31	22.14	22.77	27.15
Return on average common equity	6.8%	7.2%	9.3%
Indicated annual yield ⁽²⁾	5.6%	5.4%	4.6%
Price earnings ratio ⁽³⁾	20.7x	22.1x	20.4x
Common shares (millions)			
December 31	90.5	83.4	81.5
Weighted-average	84.6	82.2	81.1

⁽¹⁾ 2008 consolidated and bank net income included a \$36 million after-tax charge (\$0.42 per share) resulting from American's balance sheet restructuring. The balance sheet restructuring reduced the size of the bank's balance sheet by approximately \$1 billion, while enabling the bank to maintain its earnings power on a lower capital base and dividend excess capital to HEI. Return on average common equity, adjusted to exclude the \$36 million after-tax balance sheet restructuring charge, was 9.3 percent.

⁽²⁾ At December 31

⁽³⁾ Calculated using the December 31 market price per common share divided by basic earnings per common share



Constance H. Lau
President and Chief Executive Officer
Hawaiian Electric Industries, Inc.

Letter to Shareholders

Despite significant turmoil in the financial markets in 2008, HEI performed well and delivered a positive total return to shareholders – something that many publicly-traded companies were unable to achieve in 2008. We were pleased to be one of only five electric utilities among the 59 Edison Electric Institute companies that were able to produce this result for shareholders.

Over the last two years, your board of directors and management took a hard look at our businesses to determine fundamental changes in our two core operating subsidiaries to improve their operating and financial performance. In 2008, not only did our financial results begin to reflect the benefits of these activities, but both Hawaiian Electric Company (Hawaiian Electric) and American Savings Bank (American) launched strategic initiatives that I believe have and will continue to increase your company’s operating performance and financial flexibility. The utility has taken an exciting leadership role in the state’s Hawaii Clean Energy Initiative and the bank announced a three-pronged strategy to improve its performance.

While we performed well in 2008, our company is not immune to the significant financial pressures of the turbulent financial markets and depressed economic environment. In the fourth quarter of 2008 we began to see how some of those pressures are affecting our financial picture. Sound fundamentals and continued careful implementation of our plans are critical to seeing us through this tumultuous period. We believe management has set your company on the right course and is doing the right thing for our customers, our communities and for you, our shareholders.

TOTAL RETURN
(percent)

	HEI	S&P 500 Index	Edison Electric Institute Index
2008	2	(37)	(26)
3-Year	(1)	(23)	4
5-Year	19	(10)	49
10-Year	94	(13)	72

Sources: Bloomberg and Edison Electric Institute
HEI NYSE symbol: HE

“Your management has focused on improving the fundamental operating and financial performance of our core operating companies.”

NET INCOME IMPROVES

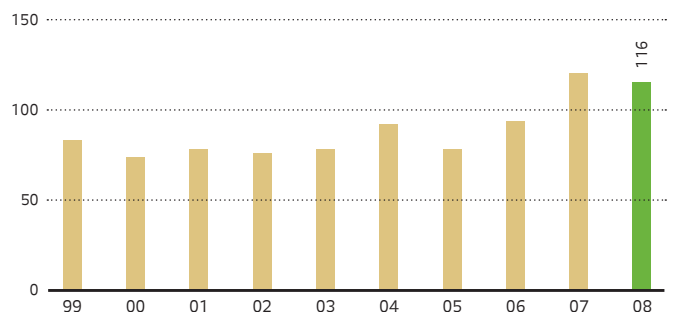
Net income in 2008 was \$90 million, or \$1.07 per share, compared with \$85 million, or \$1.03 for the prior year. Much needed interim rate relief received by Hawaiian Electric mainly in the last quarter of 2007 helped account for a significant part of the 2008 increase in earnings. In 2008, we recorded \$73 million of incremental revenues related to these rate cases or \$41 million net of taxes (\$0.48 per share). This was partially offset by 1.8 percent lower utility kilowatthour sales due primarily to customer conservation, especially in reaction to high fuel prices and the utilities’ conservation promotion campaigns, higher utility expenses for operations and depreciation, a \$36 million after-tax charge (\$0.42 per share) related to American’s balance sheet restructuring initiative in June 2008, higher loan loss provisions and write downs of bank investment securities to fair value.

As I’ll explain in more detail later, American’s balance sheet restructuring was executed as a part of its broader performance improvement initiative that has been extremely successful in increasing American’s net interest margin and also enabled the bank to return underutilized capital to HEI in 2008. Excluding the \$36 million after-tax balance sheet restructuring charge, adjusted net income for 2008 was \$126 million, or \$1.49 per share.

The dividend payout ratio (the annual dividend divided by earnings per share) in 2008 was 116 percent, but excluding the \$0.42 per share charge related to the balance sheet restructuring, the adjusted dividend payout ratio was lower at 83 percent.

DIVIDEND PAYOUT RATIO – CONTINUING OPERATIONS ⁽¹⁾

(percent)



⁽¹⁾ 2008 consolidated and bank net income included a \$36 million after-tax charge (\$0.42 per share) resulting from American’s balance sheet restructuring. The balance sheet restructuring reduced the size of the bank’s balance sheet by approximately \$1 billion, while enabling the bank to maintain its earnings power on a lower capital base and dividend excess capital to HEI. The dividend payout ratio, adjusted for the \$36 million after-tax balance sheet restructuring charge, was 83 percent.

Utility Sets Course For The Future

HAWAIIAN ELECTRIC'S CLEAN ENERGY INITIATIVE CORE TEAM

In a changing world, our utility's strategic plans must continue to evolve with an increased focus on clean energy solutions, while maintaining our commitment to reliability and service and assuring a financially sound utility. A team of Hawaiian Electric employees, led by a core Clean Energy team, worked with the State of Hawaii and U.S. Department of Energy on a landmark energy agreement with commitments to achieve these goals.

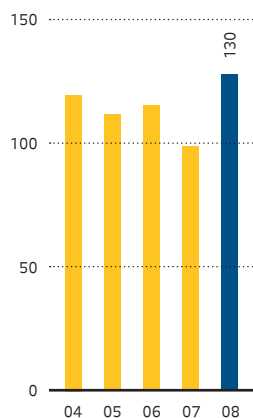


Clean Energy core team pictured from left to right:

Leon Roose, Dave Waller, Darcy Endo-Omoto, Scott Seu, Robbie Alm, Dan Giovanni, Colton Ching, Alan Hee

OPERATING INCOME*

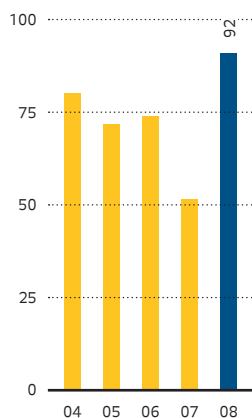
(millions of dollars)



* Includes income taxes and excludes net other income

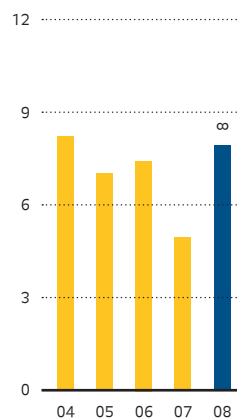
NET INCOME

(millions of dollars)



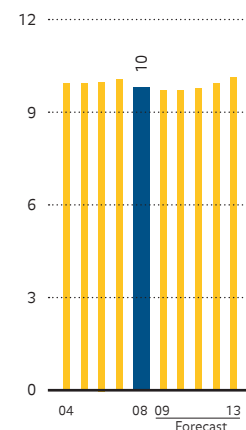
RETURN ON AVERAGE COMMON EQUITY

(percent)



KILOWATTHOUR SALES

(billions)



As mentioned earlier, a big part of HEI's financial improvement was due to the recovery of utility financial results. In 2007, Hawaiian Electric's earnings were under significant pressure from rising costs for operations and maintenance and the need to recover and earn on capital investments made since the previous rate case filings. Also, 2007 results were unusually low due to a \$9 million net-of-tax refund of interim rates in Hawaiian Electric's Oahu 2005 rate case and a \$7 million net-of-tax write off of costs related to Hawaii Electric Light Company's Keahole power plant expansion project. During 2007, all three utilities received interim rate increases; however, most of those increases came late in the year. Accordingly, much of the benefit of the increase was reflected in 2008. Hawaiian Electric earned \$92 million in 2008, compared with \$52 million in 2007 and \$75 million in 2006.

While overall utility earnings improved with rate relief, the utility had some earnings challenges in 2008. We had already been encouraging conservation and efficiency as needed steps in addressing future energy needs. As customer bills increased with the skyrocketing price of fuel in the first three quarters of 2008 and the message in company conservation campaigns took hold, Hawaiian Electric saw further reductions in customer usage. And although customer bills declined in the fourth quarter as fuel prices dropped, usage remained down. Kilowatthour sales declined 1.8 percent in 2008 compared with 2007. With the lower levels of demand, the ongoing financial crisis and weakening national and Hawaii economies, we expect demand to continue to decline in 2009.

Our utilities also continued to experience increases in other operation and depreciation costs. In 2008, a 14 percent increase in other operation

expenses was due in part to higher demand-side management costs that are recovered in rates and higher production operation expenses. Higher production operation expenses include higher staffing levels at generating plants and work to support a renewable energy request for proposals. Depreciation expenses also increased with additions to plant-in-service.

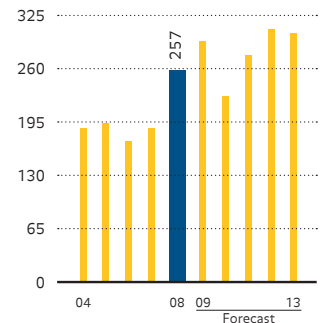
As you can see from the improvement in the utility's financial results between 2007 and 2008, timely recovery of costs and return on capital investments are critical to Hawaiian Electric's financial strength.

With this in mind, in July we filed a 2009 test year rate case for our Oahu utility to recover increased costs and for recovery and return on capital investments made since 2007, including a 110-megawatt biofueled generating unit in Campbell Industrial Park that is to be placed in service in mid-2009. The case is also expected to establish the basis for a new regulatory compact under which revenues are decoupled from kilowatthour sales.

The plans are part of the utility's collaborative and comprehensive effort to meet Hawaii's future energy needs. That work culminated in an agreement signed last October with Hawaii Governor Linda Lingle, the State Consumer Advocate and the Hawaii Department of Business, Economic Development and Tourism, that defines our role in the Hawaii Clean Energy Initiative. The Initiative sets an ambitious goal for the State of Hawaii to meet 70% of its electricity and ground transportation needs from clean energy sources, including renewable energy and energy efficiency, by the year 2030.

NET CAPITAL EXPENDITURES*

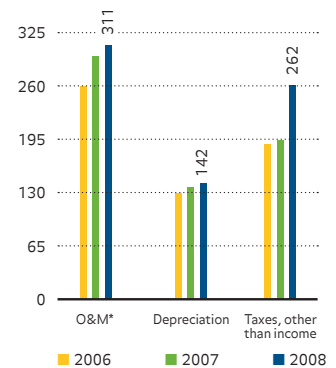
(millions of dollars)



* Net of allowance for funds used during construction and contributions in aid of construction

MAJOR EXPENSES

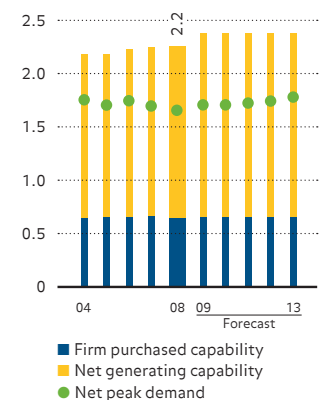
(millions of dollars)



* Other than fuel, purchased power and demand-side management costs

PEAK DEMAND AND CAPABILITY

(megawatts x 1000)





“BIG WIND” PLANS

As part of the Hawaii Clean Energy Initiative, Hawaiian Electric is planning to add up to 400 megawatts from wind farms on Lanai and/or Molokai to serve Oahu. Harnessing this renewable resource will take a coordinated effort among private wind farm developers, the State of Hawaii and the utility to finance and build an undersea cable and land facilities to interconnect the islands.

Meeting Tomorrow's Energy Needs

Meeting our customers' energy needs now and into the future requires aggressive diversification of our energy sources, even greater encouragement of energy efficiency and conservation, increased choices to help our customers control their energy costs and investment in infrastructure to make these plans a reality.

HAWAII CLEAN ENERGY INITIATIVE

In October 2008, the Hawaiian Electric companies and the State of Hawaii signed a comprehensive agreement as part of the Hawaii Clean Energy Initiative.

This bold step to transform the landscape of renewable energy and energy efficiency in Hawaii will make the state a model for a sustainable, economically vibrant and independent energy future. Executive Director of the State of Hawaii's Division of Consumer Advocacy Catherine Awakuni, Hawaii Governor Linda Lingle and HEI President and CEO Connie Lau are pictured signing the landmark agreement. Also pictured from the Hawaii Department of Business, Economic Development and Tourism are former Chief Technology Officer Maurice Kaya and Director Theodore Liu.



Through the Hawaii Clean Energy Initiative, Hawaiian Electric gains the opportunity to further advance and broaden its strategic focus on renewable generation and efficiency and to align our initiatives with the state's vision of greater energy independence for Hawaii.

The critical importance of the agreement was driven home during 2008 when oil prices skyrocketed and we had a first-hand look at the pervasive impact Hawaii's dependence on imported fossil fuel can have on the price of everything in our island economy. The increase in cost for electricity, gasoline, airfares and many consumer products was significant and a struggle for many residents and businesses.

Aggressively diversifying our generation mix with renewable energy sources – from biomass and geothermal to wind and wave and solar – and more energy efficiency – will help protect our customers in the long run from such severe fluctuations in oil prices. Buying energy from new renewable energy projects at prices that are not tied to the price of oil will also help.

The agreement sets a new renewable portfolio standard of 40 percent renewable generation by 2030.

Parties to the agreement also recognized that to reach these aggressive Clean Energy goals, our islands must have strong electric grids – well-maintained with the latest technology to reliably integrate renewable energy. For that, the utility must remain financially healthy. Accordingly, the parties agreed to "decouple" rates from sales, which removes disincentive for the utility to lower demand through customer conservation measures. The details of decoupling are being worked out in a regulatory docket, but the contemplated mechanism would periodically adjust rates to account for the total cost of supplying electricity, including a reasonable rate of return on shareholder investment. Conceptually, the cost of supplying electricity would be reviewed and adjusted on a periodic basis to track various agreed-upon measures.

The agreement provides for a Clean Energy Infrastructure Surcharge. If approved by the Hawaii Public Utilities Commission, this surcharge would allow Hawaiian Electric to expedite cost recovery for infrastructure that supports greater use of renewable energy. This could significantly improve the timing of recovery and return on investments.



Photo courtesy of Castle & Cooke

SUN POWER FOR LANAI

Maui Electric Company now provides Lanai residents with energy from the largest single-site solar farm in Hawaii. Featuring 7,400 tilting photovoltaic panels covering 10 acres in Lanai's remote Palawai Basin, La Ola Solar Farm is owned by Castle & Cooke Inc. It began generating up to 200 kilowatts of as-available electricity last year and by the end of 2009 should reach its full 1.2-megawatt capacity, potentially meeting 10 percent of the island's electrical energy needs.

BIG WIND

The Clean Energy commitment includes adding 1,100 megawatts of renewable energy to our tri-company grids. A major contributor will be the addition of at least 400 megawatts from proposed wind farms on Lanai and/or Molokai that would be transmitted to Oahu via undersea cable. Hawaiian Electric would develop shore-side facilities on Oahu to accept the cable and distribute the electricity to Oahu customers. The wind farms are anticipated to be developed by third-party independent power producers and the undersea cable would be a state-sponsored construction project that could then be operated by Hawaiian Electric.

FEED-IN TARIFFS

We also want to be a key player in opening and expanding the market for renewable energy in Hawaii via feed-in tariffs. Under the feed-in tariff concept, the utility would offer standardized prices preapproved by the Hawaii Public Utilities Commission for specified types and quantities of renewable energy. This could substantially speed up the process to secure additional renewable energy contracts and help renewable energy developers in obtaining financing for their projects.

ELECTRIC VEHICLES

Reducing Hawaii's use of oil also requires addressing how we fuel transportation. Electric Vehicles (EVs) are a perfect way to take advantage of off-peak energy capacity, including renewable wind power. In December, Hawaiian Electric signed a nonexclusive memorandum of understanding with Better Place, an innovative company that aims to reduce global dependency on oil through the creation of a market-based electric vehicle transportation infrastructure. In addition, the Hawaiian Electric companies are testing EVs and cooperating in an Idaho National Laboratory research project that converts Toyota Prius hybrid vehicles to plug-in hybrids. These and other efforts are aimed at "greening" transportation, which is an important part of the Hawaii Clean Energy Initiative goal.

INCREASING CUSTOMER CHOICES

The Clean Energy agreement also supports our commitment to being an even stronger energy services company for our customers, delivering not just electricity but increasing options to help them control their energy use.

We are excited about support for building out a "smart grid" that includes Advanced Meters which can allow customers to take advantage of options like time-of-use rates. Other options will include an expanded pay-as-you-save program to encourage solar water heating installations and a program to offer customers — starting with businesses, institutions and government — rent for space on their roofs to install photovoltaic panels and also stable, long-term energy prices for the resulting solar energy.



POWER FOR TOMORROW

Hawaiian Electric's new 110-megawatt Campbell Industrial Park Generating Station will come on line in mid-2009, fueled by renewable biodiesel procured only from sustainable sources. In 2009, Hawaiian Electric will also begin testing how much renewable biofuel can be blended to run existing generating units now totally dependent on fossil fuel.

Respecting Our Environment

Through community outreach, programs with our customers and schools, new capital projects and more, environmental stewardship is a core focus for Hawaiian Electric.

GROW HAWAIIAN FESTIVAL

In April 2008, Hawaiian Electric sponsored the first Grow Hawaiian Festival at Bishop Museum to celebrate native plants, local conservation and sustainability efforts. The eco-festival brought together Hawaiian cultural practitioners with conservationists and horticulturalists to share their common passion for the unique native plants of Hawaii.



CFL RECYCLING

Hawaiian Electric Company gave away 1,000 RECYCLEPAK® Consumer CFL Recycling Kits to highlight the convenient recycling service for Hawaii residents. Used compact fluorescents can be packed and mailed through the U.S. Postal Service to a mainland recycler as there is currently no such service in Hawaii.



HOME ENERGY CHALLENGE

More than 1,100 families from 13 elementary schools across Oahu participated in Hawaiian Electric's inaugural Home Energy Challenge, a six-month competition that challenged students and families to reduce home electricity use. In May 2008, Mililani Mauka Elementary School was named the winner and recipient of the \$10,000 award. Combined, all participants conserved over 178,000 kilowatthours and saved almost \$46,000 on home electricity bills.



SOLAR SPRINT

For nearly a decade, Hawaiian Electric has partnered with the Hawaii Department of Education to sponsor Solar Sprint, a hands-on competition where elementary and middle school students build and race shoebox-sized cars fueled only by the sun. Solar Sprint is part of the utilities' Sun Power for Schools Program which encourages renewable energy development and education for Hawaii students.



POWER TO SAVE

Simple, practical tips to conserve energy, manage electric bills and care for the planet have been condensed into compact, handy guides – *Power to Save* and *101 Ways to Save* – for Hawaii's utility customers. These easy-to-use educational tools are available free in print as well as by download at www.heco.com and www.hawaiienergyfuture.com.



PRESERVING CLEAN WATER

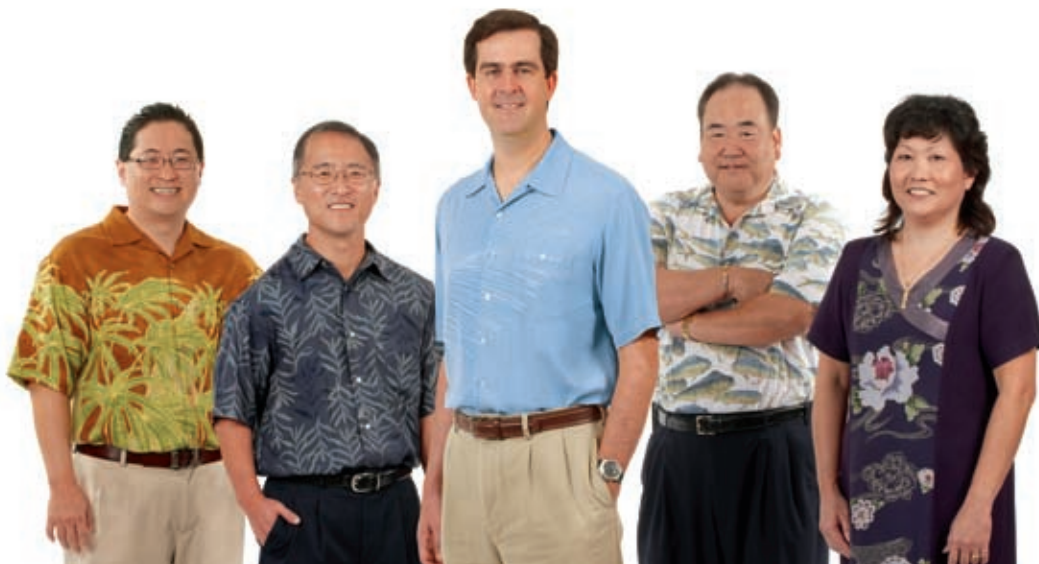
Conserving precious potable water for future generations is the goal of a new pipeline that will reduce Kahe Power Plant's consumption by approximately 140,000 gallons daily or about 93 percent of its industrial usage. In December 2008, ground was broken for a four-mile pipeline to transport reclaimed reverse osmosis water to the power plant, replacing the use of potable water. Construction is due to be completed in summer 2009.



Bank Strengthens Profitability

AMERICAN SAVINGS BANK'S BALANCE SHEET RESTRUCTURING TEAM

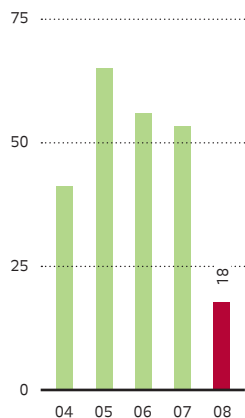
American Savings Bank's balance sheet restructuring project enabled the bank to improve its net interest margin, positioning the bank for improved performance while maintaining its safety and soundness, and the quality of customer service. The success of this project can be attributed to the team that worked tirelessly to get the job done.



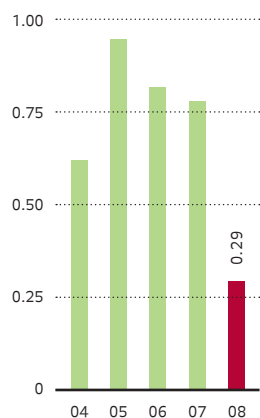
Balance Sheet Restructuring team pictured from left to right:

Derwin Osada, Kevin Haseyama, Tim Schools, Alvin Sakamoto, Diane Shiraki

NET INCOME ⁽¹⁾
(millions of dollars)

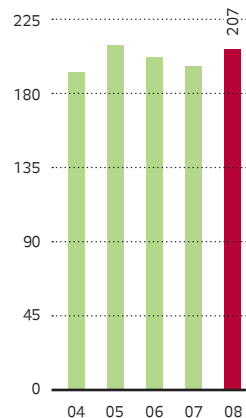


RETURN ON ASSETS* ⁽¹⁾
(percent)

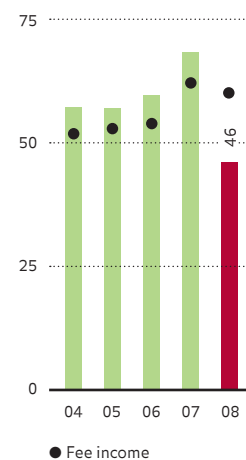


* Net income for common stock divided by average total assets

NET INTEREST INCOME
(millions of dollars)



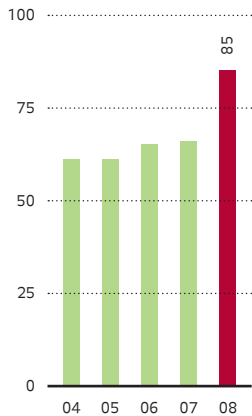
NONINTEREST INCOME ⁽¹⁾
(millions of dollars)



● Fee income

**TANGIBLE
EFFICIENCY
RATIO* ⁽¹⁾**

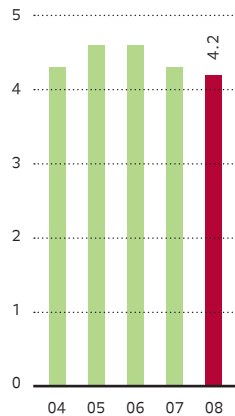
(percent)



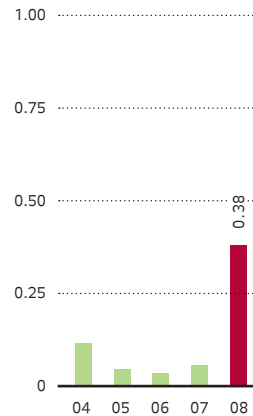
* Represents the cost of earning a dollar of revenue

TOTAL DEPOSITS

(billions of dollars)

**NONPERFORMING
ASSETS TO
TOTAL ASSETS**

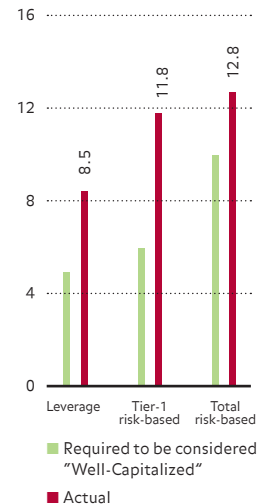
(percent)



Source: Thrift Financial Report

**REGULATORY
CAPITAL
AT 12/31/08**

(percent)



⁽¹⁾ 2008 net income included a \$36 million after-tax charge (\$0.42 per share) resulting from American's balance sheet restructuring. The balance sheet restructuring reduced the size of the bank's balance sheet by approximately \$1 billion, while enabling the bank to maintain its earnings power on a lower capital base and dividend excess capital to HEI. Return on assets, noninterest income and tangible efficiency ratio, adjusted to exclude the \$36 million after-tax balance sheet restructuring charge, were 0.88 percent, \$65 million and 65 percent, respectively.

In 2008, American earned \$18 million compared with \$53 million in 2007; however, excluding the \$36 million after-tax charge for the previously-mentioned balance sheet restructuring transaction, American's adjusted net income in 2008 was \$53 million. We were pleased with 2008's results, given the well-publicized problems affecting banks nationally, and the fact that 2007's results were helped by a one-time \$5 million net-of-tax gain on changes made to American's retirement plan.

A more favorable interest rate environment brought on by a steeper yield curve in 2008 helped the bank's net interest income and added \$6 million to the bank's bottom line. However, the slowing economy and financial crisis required higher provisions for loan losses and write downs of investment securities to fair value in 2008, offsetting the increase in net interest income.

Nonaccrual loans to net loans remained low in 2008, ending the year at 0.50 percent. An upward trend in delinquencies, especially in December, caused us to increase the provision for loan losses for the year by \$3 million net of taxes over 2007, and higher credit costs are expected to continue in 2009.

A direct result of the current market environment was also a \$5 million after-tax impairment charge recognized in the fourth quarter on private mortgage-backed securities. Like many other holders of these securities, the bank had to recognize the current depressed market values in the write downs, although the expected economic loss on the securities is lower if held to maturity.

Careful analysis and reduction of general and administrative costs also helped maintain the core earnings of the bank. During these challenging times, we believe even more that the bank's focus on performance improvement initiatives can best drive improved results for shareholders.

PERFORMANCE IMPROVEMENT INITIATIVES

The bank's performance improvement initiatives, announced in June by president Tim Schools, are aimed at improving both operating and capital efficiency. The initiatives focused on three areas: restructuring the bank's balance sheet to reduce the size of its wholesale assets and liabilities, delivering enhanced products and services and productivity improvements.



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HAWAII'S MOST RECOMMENDED BANK FOR SMALL BUSINESS

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EQUITY EXPRESS™ REASON #2

A GREAT INTRODUCTORY RATE

OFFER EXTENDED

At just 4.50% APR* for the first six months, you'd think it couldn't get any better. But it does. We also offer a lower long-term rate, no closing costs*, no annual fee and access by check and Visa® credit card. It's no wonder Equity Express is the smartest home equity line in Hawaii. Apply online today at asbhwaii.com.

6 MONTHS INTRODUCTORY RATE	CURRENT VARIABLE RATE STARTS AT
4.50% APR*	7.00% APR*

Offer extended through 2/29/08. Apply today and start saving. Ask us for details.

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AMERICAN Savings Bank

EQUITY EXPRESS™ REASON #1

NEW LOWER LONG-TERM RATE

OFFER EXTENDED

Compare for yourself. At rates starting at 1/3% below prime, it's one of the lowest rates in the islands. And that's not all. There's no annual fee, no closing costs* and it's easy to access your Equity Express home equity line by either check or Visa® credit card. Apply online today at asbhwaii.com.

6 MONTHS INTRODUCTORY RATE	CURRENT VARIABLE RATE STARTS AT
4.50% APR*	7.00% APR*

Offer extended through 2/29/08. Apply today and start saving. Ask us for details.

Member FDIC

AMERICAN Savings Bank



NO MONTHLY FEE

BizFREE Checking™

A **FREE** checking account specifically designed for your small business.

HAWAII'S MOST RECOMMENDED BANK FOR SMALL BUSINESS

Ask us for details or go to asbhwaii.com.

Member FDIC

American Banking Opportunities

The successful introduction of a variety of products such as ASB Free Checking, BizFREE Checking and Equity Express underscores the bank's enhanced ability to identify opportunities and to respond with market-leading products. Our BizFREE Checking is unlike any other business checking account in the state and is another example of how American is continuously developing products and seeking ways to make things easier for our customers. And the success of the Equity Express product continues to show that we offer products that our customers want and need.

INNOVATIVE PRODUCTS BOOST AMERICAN'S CUSTOMER APPEAL

A vibrant ad campaign touts unique product offerings, many of which are not available through other banks in Hawaii or which normally come with a fee.

New products and services continue to be developed to better serve our customers and enhance their banking experience with American. We are dedicated to addressing our customers' financial needs in a simple and effective, yet personalized manner.



BALANCE SHEET RESTRUCTURING

As noted earlier, American substantially completed its balance sheet restructuring in late June 2008. The restructuring involved the sale of \$1.3 billion of mostly federal agency securities (backed by Freddie Mac or Ginnie Mae, for example) yielding an average 4.33 percent, and the unwinding of approximately \$1.2 billion of wholesale borrowings costing an average 4.7 percent.

To effect these transactions, the bank incurred an after-tax restructuring charge of \$36 million, the majority of which related to the unwinding of expensive wholesale borrowings.

The restructuring transactions had a significant positive effect on the bank's net interest margin, which rose from 3.13 percent at the end of the first quarter to 4.07 percent at year-end. American's net interest margin now exceeds the average peer ratio.

The restructuring also allowed the bank to return capital to HEI. The return of capital came at an opportune time as it permitted HEI to pay down its commercial paper borrowings. This not only helped reduce HEI's interest expense, but improved HEI's overall financial flexibility, which in turn helped strengthen the company against volatile financial markets.

INNOVATIVE PRODUCTS

In the area of enhanced products and services, we have a great success story in ASB Free Checking. Launched in March, the ASB Free Checking account is the only checking account in the state offering free check card with travel awards and free ID theft protection, free online bill pay, free first set of checks and no minimum opening deposit. Fourteen-thousand new accounts were opened in a 12-week period and competitors scrambled to introduce similar products.

On the heels of ASB Free Checking's success, the bank launched BizFREE Checking to extend many of the benefits of Free Checking to small business customers, including no monthly maintenance fee, no minimum balance requirement, no minimum opening deposit, 50 free transactions per month, free personal online banking and bill payment for their business, and a free rewards-earning debit card with travel rewards in which points earned from debit card purchases can be combined with points from American Savings Bank travel rewards credit card purchases. Many of these account features are not available through other banks in Hawaii or if available, come with a fee.

As you can see, American constantly looks to develop new products and services to better serve customers and continue to enhance their banking experience.



ENTERPRISE RISK, COMPLIANCE AND TECHNOLOGY TEAMS

Ruth Igawa (Enterprise Risk), James Teson (Project Management), Ann Teranishi (Compliance), Gloria Ching (Technology) and Jamie Dunlap (Technology) are critical team players that have focused on the automation of new account processing and strengthening our risk management and the compliance culture at American Savings Bank.

APPLICATION OF TECHNOLOGY AND RISK MANAGEMENT

To further enhance productivity, American is optimizing its application of technology and equipment, and streamlining processes and procedures. The primary focus is on automation. Work has begun on automation of new account processing and automation of the consumer loan application process is next on the list.

The bank will also be placing data capture devices in its branches, enabling personnel to sort checks on site, eliminating the need for courier runs as data will be transmitted electronically to a central processing center. Branch capture is expected to significantly reduce the overall cost of processing branch transactions.

While the use of technology is a key force in enhancing American's productivity, it also is important in managing

risk and implementing internal controls. Since the advent of Sarbanes-Oxley several years ago, American significantly enhanced its risk management and internal control framework and strengthened the compliance culture across the organization. Automation of processes will help take some of the human error risk out of processes, further strengthening risk management, compliance and internal controls.

A key part of risk management is discerning what products really make sense for customers. The strength of our risk management framework was evident in the fact that American did not market subprime mortgage programs. These types of mortgages were not something we felt made sense for our customers.

Keeping the customer's best interest in mind, while looking to offer the most appropriate products is key to a successful and trusted relationship. And banking, after all, is a relationship-based business.

CUSTOMER AND COMMUNITY SERVICE ARE TOP PRIORITIES

At American, convenience and quality customer service is a priority – a first step in building trusted relationships. To that end, American offers many convenient branch and ATM locations, along with extended banking hours. Aligned with some of the best retailers, we have in-store branches in Foodland, Sack N Save and Wal-Mart statewide. This allows for one-stop shopping and banking, making one's hectic schedule a little easier. We are where you are.

To promote awareness about weekend banking hours, American created First Saturday – a community program in which our branches serve as collection points for various non-profit organizations on the first Saturday of each month. Some of the organizations that have benefitted include Boys & Girls Club, Domestic Violence Action Center, Big Brothers Big Sisters, Salvation Army, Hawaii Food Bank, Friends of the Library of Hawaii and the YMCA. The program received such an overwhelming positive response from the beneficiaries, employees and the community at large, that we have committed to the program for 2009.

Supporting the communities we serve is not only a core value of the bank, but of the entire company. In the next two pages we highlight some of the key areas of HEI's community involvement in 2008.



SERVING OUR CUSTOMERS

It is our commitment to provide the best service to our customers and our communities. Leading the charge in offering extended weekday, weekend and holiday banking hours, we understand that convenience is vital to managing a busy life schedule. Branch managers Cathy Criste (middle) of Pearl City Wal-Mart and Mark Gurney (far right) of Ala Moana extend their aloha as always being available to help their customers by providing the best banking solutions for their needs.

Committed To Our Community

Through the contributions of employee time, talent and resources, Hawaiian Electric and American are an integral part of the communities they serve. In 2008, HEI's Charitable Foundation contributed \$1.4 million to organizations that help Hawaii's communities prosper.

HANDS-ON TECHNOLOGY

Hawaiian Electric has long supported programs that instill the value of innovation and provide hands-on learning in the important education areas of science, technology, engineering and math. Through mentoring and financial grants for high school teams, the company enthusiastically supports participation in the FIRST Robotics program; Hawaii Regional Botball Tournament; FIRST LEGO League; VEX Robotics as well as sponsorship of the Hawaii State Robotics Exhibition.



HOLIDAY MAGIC

Sparkling lights, festive floats and marching bands provide a colorful procession in downtown Honolulu during the annual Honolulu City Lights Parade co-sponsored by Hawaiian Electric in early December. For 16 years, Hawaiian Electric employees have decorated the company's float and the grand marshall vehicle which leads the parade, bringing the spirit of the season to the community.



SCHOOL-TO-WORK

Through Hawaiian Electric's School-to-Work partnership with targeted high schools, employees mentor students on the job, providing a link between academics and its practical application in the workplace. Students gain hands-on work experience, learning the responsibilities of being productive employees and team members.



SEEDS OF SERVICE

As part of their Seeds of Service program, American Savings Bank employees volunteered their efforts at Stevenson Intermediate to help refurbish and paint the main corridors of the campus. The initiative encourages volunteerism. Our employees have contributed over 6,000 total volunteer hours to schools and non-profit organizations on Oahu, Hawaii Island, Maui, Molokai and Kauai since its inception in 2005.



FIRST SATURDAY EVENT

American Savings Bank created a community program to collect items needed by various non-profits that serve the local community statewide. On the first Saturday of every month, a different beneficiary is selected with specific items to be collected at American Savings Bank branches opened on Saturday. Shown here are American Savings Bank employees in costume, deejay Tiki Phat Joe and Big Brothers Big Sisters executive director, Dennis Brown.



TEACH TO SAVE DAY

American Savings Bank's initiation of its Careers in Banking program, which introduces children to careers in the banking industry and teaches them how to wisely manage their finances, tied in nicely with the national observance of Teach Children to Save Day. Gabe Lee, executive vice president, commercial markets, returned to his elementary school alma mater, Pearl Harbor Elementary, to give students the resources and tips they need to help them begin to develop money management skills and savings habits.



The Hawaii Economy and Outlook

In 2008, the Hawaii economy outperformed the national averages in growth and unemployment. Late last year, however, economic indicators declined sharply and economists expect continued declines in 2009. These trends have dampened our financial performance outlook for 2009.

As I alluded to in the beginning of this letter, in the fourth quarter the Hawaii economy really felt the pressures of the depressed national economy and volatile capital markets. Economic activity in the state dropped off dramatically. Visitor arrivals declined 14 percent in the fourth quarter of 2008 compared to the same period in 2007, the effects of which reverberated in reduced hotel occupancies, car rentals, retail purchases and food purchases. Unemployment increased from 4.5 percent at the end of September to 5.5 percent by year-end. Comparatively, unemployment in 2007 ranged between 2.4 percent and 3.1 percent. Oahu homes retained their value during the fourth quarter with December median prices above \$600,000, and military spending continues to provide some stability for the construction sector. State economists predict that these areas may soften in 2009.

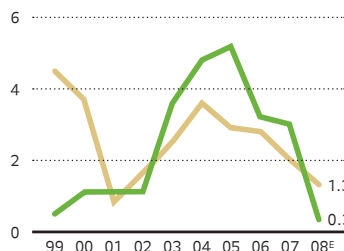


The impact to our companies of this decline was substantial: kilowatthour sales for the fourth quarter were lower by 3.6 percent compared with the same quarter of 2007 – the worst decline in the company’s recent history; certain bank investment securities were written down to fair value; and increased delinquency trends in our loan portfolio caused a substantial increase in the bank’s provision for loan losses quarter over quarter.

Unfortunately, these trends are continuing in 2009. We continue to expect kilowatthour sales to be soft with our forecast showing a modest decline over 2008. Provisions for loan losses are expected to increase over 2008 given the declining economic trends in Hawaii and we may have some additional exposure on our bank’s investment portfolio if the financial markets are unable to find their equilibrium and begin to recover.

REAL ECONOMIC GROWTH TRENDS: HAWAII GSP VS. U.S. GDP

(percent)

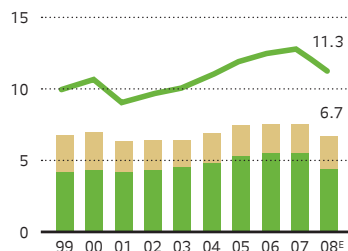


— U.S.
— Hawaii
E Estimate

Sources: State of Hawaii Dept. of Business, Economic Development and Tourism (DBEDT) and U.S. Dept. of Commerce, Bureau of Economic Analysis

VISITOR EXPENDITURES AND ARRIVALS

(Expenditures: billions of dollars)
(Arrivals: millions)

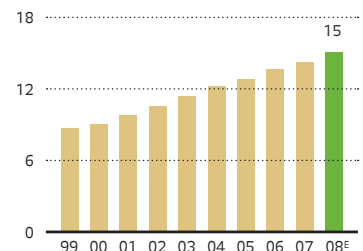


■ Expenditures
■ International visitors
■ Domestic visitors
E Estimate

Source: DBEDT

FEDERAL GOVERNMENT SPENDING IN HAWAII

(billions of dollars)



E Estimate based on average growth rates for the previous five years

Source: DBEDT

Leadership

HEI'S SENIOR MANAGEMENT TEAM

Leadership is key to the continued successful execution of our strategies. Your senior management team brings over 140 years of combined experience to the table and a strong commitment to deliver you shareholder value.



Pictured from left to right:

Jim Ajello, HEI CFO; **Dick Rosenblum**, HECO President and CEO;
Connie Lau, HEI President and CEO; **Tim Schools**, ASB President; **Chet Richardson**, HEI General Counsel

With that backdrop, the successful implementation of the Hawaii Clean Energy Initiative agreement and progress on the bank's performance improvement initiatives will be critical in helping the company weather these downward trends and grow in the future.

Also, the recent addition of two key management team members in January 2009 will fortify the execution of these strategic initiatives. Dick Rosenblum joined us to lead our utility after 32 years of serving on the leadership team of Southern California Edison. Dick replaces Mike May, who is enjoying a much deserved retirement.

At the holding company, we welcomed Jim Ajello as our senior financial vice president, treasurer and chief financial officer. Jim joined us from Reliant Energy in Houston and has over 30 years of utility industry and financial experience.

While there are many challenges ahead in the near term, we believe there are very attractive opportunities for long-term earnings growth through the initiatives I've outlined

in this letter. We will continue to work at successful execution of these initiatives and do our best to mitigate the effects of the current economic and financial storm.

I am sincerely grateful for the hard work and dedication of our employees and their loyalty to your company and its customers. I am also grateful for the wise counsel of our boards of directors. Together, we will meet the challenges ahead and strive, as always, to deliver long-term growth and shareholder value to you.

Aloha,

Constance H. Lau
 President and Chief Executive Officer
 Hawaiian Electric Industries, Inc.

February 20, 2009



James Scott
Barry Taniguchi

Bert Kobayashi
Anne Takabuki
A. Maurice Myers

Victor Li
Louise Ing
Alan Oshima
David Nakada

Thomas Fargo
Jeffrey Watanabe

HEI Directors

Jeffrey N. Watanabe, 66⁽¹⁾
Honorary Of Counsel, Watanabe Ing LLP
Chairman, Hawaiian Electric Industries, Inc.
1987

Constance H. Lau, 56⁽¹⁾
President and Chief Executive Officer,
Hawaiian Electric Industries, Inc.
Chairman, Hawaiian Electric Company, Inc.
Chairman and Chief Executive Officer,
American Savings Bank, F.S.B.
2001

Don E. Carroll, 67⁽³⁾
Retired Chairman, Oceanic Time Warner
Cable Advisory Board
1996

Shirley J. Daniel, Ph.D., 55⁽²⁾
Professor of Accountancy,
University of Hawaii-Manoa
2002

**Admiral Thomas B. Fargo, USN
(Retired), 60^(2,3)**
President and Chief Executive Officer,
Hawaii Superferry, Inc.
2005

Richard W. Gushman, II, 63⁽⁴⁾
President and Owner, DGM Group
2007

Victor H. Li, S.J.D., 67⁽³⁾
Co-chairman, Asia Pacific
Consulting Group
1988

A. Maurice Myers, 68⁽³⁾
Retired Chairman, President and Chief
Executive Officer,
Waste Management, Inc.
1991

Diane J. Plotts, 73^(1,2,3)
Business Advisor
1987

James K. Scott, Ed.D., 57^(2,4)
President, Punahou School
1995

Kelvin H. Taketa, 54⁽⁴⁾
President and Chief Executive Officer,
Hawaii Community Foundation
1993

Barry K. Taniguchi, 61⁽²⁾
President and Chief Executive Officer,
KTA Super Stores
2004

Committees of the board of directors:

⁽¹⁾ Executive
Jeffrey N. Watanabe, Chairman

⁽²⁾ Audit
Diane J. Plotts, Chairman

⁽³⁾ Compensation
Thomas B. Fargo, Chairman

⁽⁴⁾ Nominating & Corporate Governance
Kelvin H. Taketa, Chairman

Year denotes year of first election to the
board of directors
Information as of February 20, 2009



Don Carroll Kelvin Taketa Timothy Johns Diane Plotts Richard Gushman Shirley Daniel Bert Kobayashi, Jr.
Constance Lau Jorge Camara Kenton Eldridge

Hawaiian Electric Company Directors

Timothy E. Johns, 52

President and Chief Executive Officer,
Bishop Museum
2005

Bert A. Kobayashi, Jr., 38

President and Chief Executive Officer,
Kobayashi Group, LLC
2006

David M. Nakada, 57

Executive Director, Boys & Girls Club
of Hawaii
2005

Alan M. Oshima, 61

Senior Advisor, Hawaiian Telcom
Communications, Inc.
2008

Anne M. Takabuki, 52

President, Wailea Golf LLC
1997

The following HEI directors also
serve on the HECO board:

Constance H. Lau, Chairman
Thomas B. Fargo
Kelvin H. Taketa
Barry K. Taniguchi
Jeffrey N. Watanabe

On February 23, 2009,
Richard M. Rosenblum, 58,
President and Chief Executive Officer,
Hawaiian Electric Company, Inc.,
was appointed to the HECO board.

American Savings Bank Directors

Jorge G. Camara, M.D., 58

Ophthalmologist, Camara Eye Clinic
1990

Kenton T. Eldridge, 65

Co-founder and Partner, Sennet Capital
2000

Louise K.Y. Ing, 56

Partner, Alston Hunt Floyd & Ing,
A Law Corporation
1994

Bert A. Kobayashi, 64

Chairman and Chief Executive Officer,
Kobayashi Development Group LLC
2002

The following HEI directors also serve
on the American board:

Constance H. Lau, Chairman
Don E. Carroll
Shirley J. Daniel
Richard W. Gushman, II
Victor H. Li
Diane J. Plotts
James K. Scott
Barry K. Taniguchi
Jeffrey N. Watanabe

Hawaii Electric Light Company advisory board:

Constance H. Lau, Chairman
Jay M. Ignacio
Anne M. Takabuki
Barry K. Taniguchi

Maui Electric Company advisory board:

Constance H. Lau, Chairman
Edward L. Reinhardt
Anne M. Takabuki
Barry K. Taniguchi

Year denotes year of first election to the
subsidiary board of directors

Information as of February 20, 2009

HEI EXECUTIVE MANAGEMENT

Hawaiian Electric Industries, Inc.

Constance H. Lau, 56

President and Chief Executive Officer
Hawaiian Electric Industries, Inc.

Chairman
Hawaiian Electric Company, Inc.
Chairman and Chief Executive Officer
American Savings Bank, F.S.B.
1984

James A. Ajello, 55

Senior Financial Vice President,
Treasurer and Chief Financial Officer
2009

Chester A. Richardson, 60

Senior Vice President-General Counsel
and Chief Administrative Officer
2007

Curtis Y. Harada, 53

Vice President, Controller and
Chief Accounting Officer
1989

Hawaiian Electric Company, Inc.

Richard M. Rosenblum, 58

President and Chief Executive Officer
2009

Jay M. Ignacio, 49

President
Hawaii Electric Light Company, Inc.
1990

Edward L. Reinhardt, 56

President
Maui Electric Company, Limited
1986

Robert A. Alm, 57

Executive Vice President
2001

Tayne S.Y. Sekimura, 46

Senior Vice President, Finance and
Administration
1991

American Savings Bank, F.S.B.

Timothy K. Schools, 39

President
2007

Gabriel S.H. Lee, 50

Executive Vice President,
Commercial Markets
1998

Richard C. Robel, 54

Executive Vice President,
Operations and Technology
2008

Alvin N. Sakamoto, 55

Executive Vice President, Finance
1986

Raymond G. Skinner, 44

Executive Vice President,
Consumer Banking
2008

Natalie M.H. Taniguchi, 49

Executive Vice President,
Enterprise Management
2002

K. Elizabeth Whitehead, 42

Executive Vice President, General Counsel
and Chief Administrative Officer
2008

Year denotes year of first employment by
the company

Information as of February 23, 2009

CORPORATE GOVERNANCE AT HEI

Hawaiian Electric Industries, Inc. is committed to the highest standards of corporate governance. Since the enactment of the Sarbanes-Oxley Act of 2002, HEI has reviewed and maintained its corporate governance guidelines and charters to meet the spirit and intent of the law and rules promulgated by the Securities and Exchange Commission as well as the New York Stock Exchange (NYSE).

The HEI board:

- Is a 12-member board that includes 11 independent nonemployee directors as defined by the NYSE rules.
- Meets in executive session (nonemployee directors only) at each board meeting.
- Conducts annual board evaluations.
- Conducts evaluations of board members up for reelection.
- Has mandatory stock ownership guidelines for Company directors and officers.
- Is diverse with three women, one Native Hawaiian and five Asian members.
- Has audit, compensation and nominating/corporate governance committees comprised of independent directors. The audit committee has three financial experts and has retention agreements with its own legal counsel and accounting advisors.
- Is accessible to shareholders.

The HEI Code of Conduct:

- Covers all employees plus the directors of HEI and its subsidiary companies.
- Is reviewed annually with all employees and directors.
- Contains whistleblower provisions.
- Includes a special code for the CEO and senior financial officers.
- Is monitored by an HEI Code of Conduct committee.

Please visit the HEI website at <http://www.hei.com> for a review of the Company's corporate governance documents.

OFFICER CERTIFICATION

The Company has included in its 2008 Form 10-K Annual Report certifications pursuant to Section 13a-14 of the Securities Exchange Act of 1934 of the chief executive officer (CEO) and the chief financial officer of the Company as Exhibits 31.1 and 31.2, respectively. The Company has submitted to the New York Stock Exchange a certification, dated June 3, 2008, of the CEO certifying that she is not aware of any violation by the Company of the New York Stock Exchange corporate governance listing standards.

Corporate Headquarters

Hawaiian Electric Industries, Inc.
900 Richards Street
Honolulu, Hawaii 96813
Telephone: 808-543-5662

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

New York Stock Exchange

Common stock symbol: HE
Trust preferred securities symbol: HEPru (HECO)

Shareholder Services

P.O. Box 730
Honolulu, Hawaii 96808-0730
Telephone: 808-532-5841
Toll Free: 866-672-5841
Facsimile: 808-532-5868
E-mail: invest@hei.com
Office hours: 7:30 a.m. to 3:00 p.m. H.S.T.

Correspondence about common stock and utility preferred stock ownership, dividend payments, transfer requirements, changes of address, lost stock certificates, duplicate mailings, and account status may be directed to shareholder services.

A copy of the 2008 Form 10-K Annual Report for Hawaiian Electric Industries, Inc. and Hawaiian Electric Company, Inc., including financial statements and schedules, will be provided by HEI without charge upon written request directed to Laurie Loo-Ogata, director, shareholder services, at the above address for shareholder services or through HEI's website.

Website

Internet users can access information about HEI and its subsidiaries at <http://www.hei.com>.

Dividends and Distributions

Common stock quarterly dividends are customarily paid on or about the 10th of March, June, September, and December to shareholders of record on the dividend record date.

Quarterly distributions on trust preferred securities are paid by HECO Capital Trust III, an unconsolidated financing subsidiary of HECO, on or about March 31, June 30, September 30, and December 31 to holders of record on the business day before the distribution is paid.

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

Dividend Reinvestment and Stock Purchase Plan

Any individual of legal age or any entity may buy HEI common stock at market prices directly from the Company. The minimum initial investment is \$250. Additional optional cash investments may be as small as \$25. The annual maximum investment is \$120,000. After your account is open, you may reinvest all of your dividends to purchase additional shares, or elect to receive some or all of your dividends in cash. You may instruct the Company to electronically debit a regular amount from a checking or savings account. The Company can also deposit dividends automatically to your checking or savings account. A prospectus describing the plan may be obtained through HEI's website or by contacting shareholder services.

Annual Meeting

Tuesday, May 5, 2009, 9:30 a.m.
American Savings Bank Tower
1001 Bishop Street
8th Floor, Room 805
Honolulu, Hawaii 96813

Please direct inquiries to:
Patricia U. Wong
Vice President-Administration
and Corporate Secretary
Telephone: 808-543-7900
Facsimile: 808-203-1183

Independent Registered Public Accounting Firm

KPMG LLP
Pauahi Tower
1003 Bishop Street – Suite 2100
Honolulu, Hawaii 96813
Telephone: 808-540-2800

Institutional Investor and Securities Analyst Inquiries

Please direct inquiries to:
Suzy P. Hollinger
Manager, Treasury and Investor Relations
Telephone: 808-543-7385
Facsimile: 808-203-1155
E-mail: shollinger@hei.com

Transfer Agents

Common stock and utility company preferred stock:
Shareholder Services

Common stock only:
Continental Stock Transfer & Trust Company
17 Battery Place
New York, New York 10004
Telephone: 212-509-4000
Facsimile: 212-509-5150

Trust preferred securities:
Contact your investment broker for information on transfer procedures.



HAWAIIAN ELECTRIC INDUSTRIES, INC.



Environmental Benefits Statement

This report is printed on Neenah Environment Papers – PC 100, made of 100 percent post-consumer waste material. It is Forest Stewardship Council™ certified, process chlorine free, and alkaline pH, and meets the American National Standards Institute standards for longevity.

By using Neenah Environment PC 100, Hawaiian Electric Industries, Inc. saved the following resources:

Trees	Water	Energy	Solid waste	Greenhouse gases
186 fully grown	67,823 gallons	129 million BTU	8,709 pounds	16,340 pounds

Environmental impact estimates were made using the Environmental Defense Paper Calculator.
For more information visit <http://www.papercalculator.org>.



Recycled
Supporting responsible
use of forest resources
Cert no. SCS-COC-001251
www.fsc.org
© 1996 Forest Stewardship Council

