Risk Factors Comparison 2024-02-29 to 2023-02-27 Form: 10-K

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The businesses of HEI and its subsidiaries involve numerous risks which, if realized, could have a material and adverse effect on the Company' s financial statements. For additional information for certain risk factors enumerated below and other risks of the Company and its operations, see " Cautionary Note Regarding Forward- Looking Statements " above and HEI' s MD & A, HEI' s " Quantitative and Qualitative Disclosures about Market Risk, " the Notes to the Consolidated Financial Statements, Hawaiian Electric' s MD & A and Hawaiian Electric' s " Quantitative and Qualitative Disclosures About Market Risk. " Holding company and company- wide risks. **Potential losses** ~~COVID- 19 — Our business, financial condition, liquidity and results~~ **resulting from the Maui windstorm** ~~of operations have been affected~~ and **wildfires** could ~~continue to be adversely impacted by the ongoing effects of the COVID- 19 pandemic and economic conditions. While COVID- 19 restrictions in Hawaii have been lifted as vaccination rates increased and new daily case counts moderated, which lead to improved economic conditions in the state, new COVID- 19 variants could result in a reinstatement of restrictions that could threaten the ongoing economic recovery and~~ have a material adverse effect on **HEI' s** ~~the Company. For example, an~~ **and Hawaiian Electric' s** ~~economic downturn or recession could result in an increase in late payments, non- payments, higher costs, and reduced access to credit, which could have a significant impact on our business,~~ financial condition **, liquidity, cash flows** and results of operations. ~~During the pandemic~~ **On August 8** , **2023, a number of brush fires in the West Maui (Lahaina) and Upcountry Maui areas caused widespread property damage, including damage to property of** the Utilities ~~placed a moratorium on customer disconnections~~ , ~~which led to increasing past due past due accounts receivables that had an~~ **and** ~~impact on liquidity~~ **101 confirmed fatalities in Lahaina at this time (the Maui windstorm and wildfires)** . ~~Although~~ **The Maui windstorm and wildfires were fueled by extreme winds and drought- like conditions in** ~~the~~ **those** ~~Utilities~~ **parts of Maui. According to the Maui Police Department' s Preliminary After- Action Report, in addition to the loss of life, over 3, 450 acres burned and over 3, 000 structures were destroyed in those areas. In Lahaina, a fire was reported at about 6: 30 a. m. (the " Morning Fire ") and appears to** have **been** ~~adequate access to liquidity sources, there can be no assurance that the Utilities will be able to secure additional liquidity sources at a reasonable cost, or at all, in the future. In addition to lower and lagged collections~~ caused by **power lines that fell in** ~~the pandemic, the Utilities incurred higher~~ -- **high** ~~costs~~ **winds** and ~~expenses~~ **spread into a field near Lahaina Intermediate School** . **The Maui Fire Department responded promptly to the Morning Fire, and according to the Fire Department' s public statement that morning, by 9 a. m. the Morning Fire was " 100 % contained. " The Maui fire chief subsequently reported that the Fire Department had determined that the Morning Fire was " extinguished " and left the scene. Shortly before 3 p. m. that day,** ~~While~~ **while** the **power remained off,** ~~Utilities~~ **Utility** ~~have~~ **crew members saw a small fire in the same field about 75 yards away from Lahainaluna Road. They immediately called 911 and reported the fire (the " Afternoon Fire "). At the time of the Afternoon Fire, the Company' s power lines in the area where that fire ignited were not energized and had not** been ~~granted deferral treatment of certain COVID- 19 related costs~~ **energized for more than six hours. By the time the Maui Fire Department arrived back on the scene** , ~~such~~ **it was not able to contain the Afternoon Fire and it spread out of control toward Lahaina. No determination** as **to** ~~higher bad debt expense, non- collection of late payment fees, higher financing costs, sequestration costs for mission- critical employees and other~~ -- **the** ~~costs and expenses, there can be no assurance that the PUC will grant recovery of such costs, and the denial of such cost recovery could be material. Additionally, in light of the significant impact that economic conditions have had on residents and businesses in the state, a stipulated settlement between Hawaiian Electric and the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, reflecting no base rate increase, was submitted in the Hawaiian Electric 2020 test year rate case~~ **cause** ~~, and approved by the PUC in October 2020. While the Utilities were successful in offsetting the no base rate increase with corresponding cost decreases, such reduction~~ of ~~cost in future periods is not assured and, therefore,~~ the **Afternoon Fire** ~~inability to achieve targeted cost savings could adversely affect the Utilities' results of operations in future periods. ASB' s balance sheet~~ has ~~historically~~ been ~~asset sensitive and its net interest income is highly sensitive to interest rates. Accordingly, an extended economic slowdown or recession could have a significant impact on its net interest income if interest rates decline. In addition, while economic conditions improved in 2022, the emergence of new COVID- 19 variants could lead to an extended economic slowdown or recession that may affect the ability of borrowers to make~~ **made** ~~payments on their loans, which would have an adverse impact on ASB' s provision for credit losses and its results of operations~~ . **The** ~~While the~~ Company believes that **most of the property damage and all of the fatalities are from the Afternoon Fire. Multiple lawsuits have been filed against the Utilities and HEI alleging, among other things, that they were negligent in failing to prevent the wildfires that led to the property destruction and loss of life. If the Utilities and HEI are held responsible for damages caused by the Maui windstorm and wildfires,** it **could have a material impact on HEI' s and Hawaiian Electric' s financial condition, liquidity, cash flows and results of operations. The Company** has ~~sufficient~~ **$ 165 million in insurance coverage for third party claims, but the aggregate losses associated with the Maui windstorm and wildfires could significantly exceed that amount. Also, the Company is incurring legal and consulting fees to manage the lawsuits and financial implications related to the Maui windstorm and wildfires, and those amounts are likely to be material. HEI' s and Hawaiian Electric' s access to capital markets and other sources of debt and equity financings in a timely manner and on acceptable terms will continue to be negatively impacted as a result of the downgrades in their debt credit ratings to below investment grade. In August 2023, HEI and Hawaiian Electric received multiple downgrades to their debt, including to ratings below investment grade, by Fitch, Moody' s and S & P. Unless and until these debt ratings are upgraded to investment**

grade, the Company will continue to have restricted access to capital markets and other sources of debt and equity financings, if at all, in a timely manner and on acceptable terms. Accordingly, the Company' s financial condition, liquidity ~~to continue to operate under current economic conditions~~ , ~~there can~~ **cash flows and results of operations may** be **adversely impacted** ~~no assurance that sufficient liquidity will be available~~ if ~~there is a significant slowdown in economic activity~~ **debt credit ratings are maintained at below investment grade** for an extended period of time ~~or~~ **. Extreme weather events and other natural disasters, particularly those exacerbated by climate change such as the Maui windstorm and wildfires, could materially affect Hawaiian Electric' s assets, particularly** if ~~economic~~ **they fail or are found to have contributed to a wildfire. Extreme weather- related incidents and other natural disasters, including volcanic eruptions, mudslides, hurricanes, tsunamis and other storms, can interfere with the generation and transmission of electricity, and can seriously damage the infrastructure necessary to deliver electricity to customers. These risks are increasing, as climate change has exacerbated some of the** conditions **that lead** ~~worsen from current levels, leading~~ to **these extreme weather events and natural disasters. Such an event can result in lost revenue and increased expenses for the Utilities, but it also can result in regulatory penalties and disallowances if Hawaiian Electric is unable to restore power on** a ~~recession~~ **timely basis. Also, an extreme event can lead to significant claims for damages, including for loss of life and property, and has been the case with the Maui windstorm and wildfires. Therefore, these events could materially affect the Company' s business, reputation, financial condition and results of operations** . Holding Company Risk — HEI is a holding company that derives its income from its operating subsidiaries and depends on the ability of those subsidiaries to pay dividends or make other distributions to HEI and on its own ability to raise capital. HEI is a legal entity separate and distinct from its various subsidiaries. As a holding company with no significant operations of its own, HEI' s cash flows and consequent ability to service its obligations and pay dividends on its common stock is dependent upon its receipt of dividends or other distributions from its operating subsidiaries and its ability to issue common stock or other equity securities and to incur additional debt. **A material reduction or delay in dividends or other distributions by one or both of Hawaiian Electric and ASB for an extended period of time, such as a continuation or expansion of the reduction in dividends that HEI currently is experiencing due to the Maui windstorm and wildfires, could have a material adverse effect on the Company' s business, financial condition and results of operations.** The ability of HEI' s subsidiaries to pay dividends or make other distributions to HEI, in turn, is subject to the risks associated with their operations and to contractual and regulatory restrictions, including: • the provisions of an HEI agreement with the PUC, which could limit the ability of HEI' s principal electric public utility subsidiary, Hawaiian Electric, to pay dividends to HEI in the event that the consolidated common stock equity of the Utilities falls below 35 % of total capitalization of the electric utilities; • the provisions of an HEI agreement entered into with federal bank regulators in connection with its acquisition of its bank subsidiary, ASB, which requires HEI to contribute additional capital to ASB (up to a maximum amount of additional capital of $ 28. 3 million as of December 31, ~~2022~~ **2023** under the Regulatory Capital Maintenance / Dividend Agreement dated May 26, 1988, between HEI, HEIDI (HEI Diversified Inc.) and the Federal Savings and Loan Insurance Corporation) upon request of the regulators in order to maintain ASB' s regulatory capital at the level required by regulation; • obligations under federal law and Federal Reserve Board policy, which require that a savings and loan holding company serve as a source of financial and managerial strength for any FDIC- insured depository institution that it controls, and accordingly, if ASB were to be in financial distress or to otherwise be viewed by the regulators as in unsatisfactory condition, HEI could be required to provide additional capital or liquidity support or take other action, in support of ASB **. In addition, ASB may continue its suspension of its quarterly dividend to conserve cash to help ensure its maximum possible liquidity and capital position** ; • the minimum capital and capital distribution regulations of the OCC that are applicable to ASB and capital regulations that become applicable to HEI and ASB Hawaii; • the receipt of a letter from the FRB communicating the OCC' s and the FRB' s non- objection to the payment of any dividend ASB proposes to declare and pay to ASB Hawaii and HEI; and • the provisions of preferred stock resolutions and debt instruments of HEI and its subsidiaries. Credit and Capital Market Risk — The Company, and its **lowered** credit rating, is subject to risks associated with the Hawaii economy **, including catastrophic events such as the Maui windstorm and wildfire** (in the aggregate and on an individual island basis), volatile U. S. capital markets and changes in the interest rate and credit market environment that have or could result in higher retirement benefit plan funding requirements, declines in ASB' s interest rate margins and investment values, higher delinquencies and charge- offs in ASB' s loan portfolio and restrictions on the ability of HEI or its subsidiaries to borrow money or issue securities. The two largest components of Hawaii' s economy are tourism and the federal government (including the military). Because the core businesses of HEI' s subsidiaries are providing local public electric utility services (through Hawaiian Electric and its subsidiaries) and banking services (through ASB) in Hawaii, the Company' s operating results are significantly influenced by: Hawaii' s economy, which in turn is influenced by economic conditions in the mainland U. S. (particularly California) and Asia (particularly Japan) as a result of the impact of those conditions on tourism; by the impact of interest rates on the construction and real estate industries and by the impact of federal government spending in Hawaii, which can be affected by world conditions; and, from time to time, the expiration of federal government appropriations bills. In addition, the Hawaii economy could be directly or indirectly affected by implications and potential impacts of U. S. and foreign capital and credit market conditions and federal, state and international responses to those conditions and the potential impacts of global and local developments (including economic conditions and uncertainties; unrest, terrorist acts, wars (such as the Russia- Ukraine war **and the Israel- Hamas war**), conflicts, political protests, deadly virus epidemic, pandemics, or other crisis; the effects of changes that have or may occur in U. S. policy, such as with respect to immigration and trade). HEI' s and Hawaiian Electric' s credit ratings only reflect the view, at the time the ratings are issued, of the applicable rating agency. There is no assurance that any such credit rating will remain in effect for any given period of time or that such rating will not be lowered, suspended or withdrawn entirely by the applicable rating agency if, in such rating agency' s judgment, circumstances, such as current, past or future effects or events so warrant. Any such lowering, suspension or withdrawal of any rating may have an adverse effect on the availability of capital to the Company or the market price or marketability of HEI' s and / or Hawaiian Electric' s securities, which could increase the cost of capital of HEI and Hawaiian Electric, and such increased costs, including interest charges, under HEI' s and / or Hawaiian Electric' s debt securities and credit facilities, would result in reductions in HEI' s consolidated net income in future periods. **Because** ~~Further, if~~ HEI' s ~~or~~ **and** Hawaiian Electric' s **credit** ~~commercial paper~~ ratings were ~~to be~~ downgraded, HEI and Hawaiian Electric **are** ~~might not be able~~ **unable** to sell commercial paper and **were** ~~might be~~ required to draw on more expensive bank lines of credit ~~or~~ **and** to defer capital or other expenditures. Neither HEI nor Hawaiian Electric management can predict **the duration of the downgrades and** future rating agency actions or their effects on the future cost of capital of HEI or Hawaiian Electric. Such ratings are not recommendations to buy, sell or hold any securities; such ratings may be subject to revision or withdrawal at any time by the rating agencies; and each rating should be evaluated independently of any other rating. Changes in the U. S. capital markets can also have significant effects on the Company. For example, pension funding requirements are affected by the market performance of the assets in the master pension trust maintained for pension plans, and by the discount rate used to estimate the service and interest cost components of net periodic pension cost and value obligations. The Utilities' pension tracking mechanisms help moderate pension expense; however, a significant reduction in the discount rate or in the value of the Company' s defined benefit pension plan assets could result in a substantial increase in the gap between the projected benefit obligations under the plans and the value of plan assets, resulting in increases in funding requirements. Because the earnings of ASB depend primarily on net interest income, interest rate risk is a significant risk of ASB' s operations. HEI and the Utilities are also exposed to interest rate risk primarily due to their periodic borrowing requirements, the discount rate used to determine pension funding requirements and the possible effect of interest rates on the electric utilities' rates of return. Interest rates are sensitive to many factors, including general economic conditions and the policies of government and regulatory authorities. HEI cannot predict future changes in interest rates, nor be certain that interest rate risk management strategies it or its subsidiaries have implemented will be successful in managing interest rate risk. Interest rate risk also represents a market risk factor affecting the fair value of ASB' s investment securities. Increases and decreases in prevailing interest rates generally translate into decreases and increases in the fair values of those instruments, respectively. Disruptions in the credit markets, a liquidity crisis in the banking industry or increased levels of residential mortgage delinquencies and defaults may result in decreases in the fair value of ASB' s investment securities and an impairment, requiring ASB to write down its investment securities. As of December 31, ~~2022~~ **2023** , ASB' s investment in U. S. Treasury and federal agency obligations, and mortgage- backed securities have an implicit guarantee from the U. S. government. Decreases in the fair value of ASB' s investment securities may also result in lower equity capital balances as unrealized losses in the available- for- sale investment securities portfolio are recorded as a decrease in equity capital through accumulated other comprehensive losses. The lower equity capital balance could result in a lower tangible equity capital ratio and restrict ASB' s permissible activities if the tangible equity capital ratio falls below 2 %. A negative tangible equity capital ratio would impact ASB' s availability to borrow funds from the FHLB of Des Moines. Geographic Concentration Risk — The Company is subject to the risks associated with the geographic concentration of its businesses and current lack of interconnections that could result in service interruptions at the Utilities or higher default rates on loans held by ASB. The business of the Utilities is concentrated on the individual islands they serve in the State of Hawaii. Their operations are more vulnerable to service interruptions than that of many U. S. mainland utilities because none of the systems of the Utilities are interconnected with the systems on the other islands they serve. Because of this lack of interconnections, it is necessary to maintain higher generation reserve margins than are typical for U. S. mainland utilities to help ensure reliable service. Service interruptions, including, in particular, extended interruptions that could result from a natural disaster or terrorist activity, could adversely impact the revenues and costs of some or all of the Utilities. Substantially all of ASB' s consumer loan customers are Hawaii residents. A significant portion of the commercial loan customers are also located in Hawaii. While a majority of customers are on Oahu, ASB also has customers on the neighbor islands (whose economies ~~have traditionally been weaker~~ **are smaller and less diverse** than Oahu' s economy ~~during economic downturns~~). Substantially all of the real estate underlying ASB' s residential and commercial real estate loans are located in Hawaii. These assets may be subject to a greater risk of default due to geographic concentration than other comparable assets held by financial institutions with more diverse geographic exposure in the event of adverse economic, political or business developments or natural disasters affecting Hawaii and affect the ability of ASB' s customers to make payments of principal and interest on their loans. Competitive and Technological Risk — Increasing competition and technological advances could cause HEI' s businesses to lose customers or render their operations obsolete. The banking industry in Hawaii, and certain aspects of the electric utility industry, are competitive. The success of HEI' s subsidiaries in meeting competition and responding to technological advances will continue to have a direct impact on HEI' s consolidated financial performance. For example: • ASB, one of the largest financial institutions in the state, is in direct competition for deposits and loans not only with two larger institutions that have substantial capital, technology and marketing resources, but also with smaller Hawaii institutions and other U. S. institutions, including credit unions, mutual funds, mortgage brokers, finance companies, non- traditional providers of financial services and investment banking firms. Larger financial institutions may have greater access to capital at lower costs, which could impair ASB' s ability to compete effectively. New or significant advances in technology (e. g., significant advances in internet or mobile banking) or customer adoption of alternative banking channels could render the operations of ASB less competitive or obsolete. • The Utilities face competition from IPPs; customer self- generation, with or without cogeneration; customer energy storage; and the potential formation of community- based, cooperative ownership or municipality structures for electrical service on all islands it serves. With the exception of certain identified projects, the Utilities are required to use competitive bidding to acquire a future generation resource unless the PUC finds competitive bidding to be unsuitable. The PUC sets policies for distributed generation interconnection agreements and standby rates. The results of competitive bidding, competition from IPPs, customer self- generation, and potential cooperative ownership or municipality structures for electric utility service, and the rate at which technological developments facilitating nonutility generation of electricity, combined heat and power technology, off- grid microgrids, and customer energy storage may render the operations of the Utilities less competitive or outdated and adversely affect the Utilities and the results of their operations. Cybersecurity Risk — The Company **is** ~~may be~~ subject to information technology and operational system failures, network disruptions, cyber attacks and breaches in data security that could **materially and** adversely affect its businesses and reputation. The Company and its subsidiaries rely on information technology systems, some of which are managed or hosted by third party service providers, to manage its business data, communications, and other business processes. Such information technology systems **are** ~~may be~~ vulnerable to cyberattacks or other security incidents, which could result in unauthorized access to confidential data, ransomware demands or disruptions to operations. In addition, there is increasing cybersecurity risk associated with the broad adoption of a remote working environment ~~as a result of the pandemic~~. If the Company is unable to prevent or adequately respond to and resolve an incident, it may have a material impact on the Company' s **business, financial condition, results of** operations **and** ~~or business~~ reputation. Utilities. The Utilities rely on evolving and ~~increasingly~~ complex operational and information systems, networks and other technologies, which are interconnected with the systems and network infrastructure owned by third parties to support a variety of business processes and activities, including procurement and supply chain, invoicing and collection of payments, customer relationship management, human resource management, the acquisition, generation and delivery of electrical service to customers, and to process financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting and legal and tax requirements. The Utilities use their systems and infrastructure to create, collect, store, and process sensitive information, including personal information regarding customers, employees and their dependents, retirees, and other individuals. ~~Despite the Utilities security measures, all of their~~ **Their** systems are vulnerable to disability, failures or unauthorized access caused by natural disasters, cybersecurity incidents, security breaches, user error, unintentional defects created by system changes, military or terrorist actions, **nation-state threat actors, criminal organizations,** power or communication failures or similar events. Any such failure could have a material adverse impact on the Utilities' ability to process transactions and provide service, as well the Utilities' financial condition and results of operations. Further, a data breach involving theft, improper disclosure, or other unauthorized access to or acquisition of confidential information could subject the Utilities to penalties for violation of applicable privacy laws, claims by third parties, and enforcement actions by government agencies. A data breach could also reduce the value of proprietary information, and harm the reputation of the Utilities. Private and public entities, such as the North American Electric Reliability Corporation, and the U. S. federal government, including the Departments of Defense, Homeland Security and Energy, and the White House, have noted that **cyberattacks** ~~cyber- attacks~~ targeting utility systems are increasing in sophistication, magnitude, and frequency. The Utilities' systems have been, and will likely continue to be, a target of attacks. Further, the Utilities' operational networks may be subject to ~~new~~ **unforeseen operational /** cybersecurity risks due to **the reliance on legacy operational components or** modernizing and interconnecting existing infrastructure with new technologies and control systems, including those owned by third parties, such as independent power producers, distributed energy resource aggregators and customers. Although the Utilities have not experienced a material cybersecurity breach to date, such incidents may occur and may have a material adverse effect on the Utilities and the Company in the future. ~~In order to address cybersecurity risks to their information systems, the Utilities maintain security measures designed to protect their information technology systems, network infrastructure and other assets.~~ The ~~Utilities actively monitor developments in the area of cybersecurity and are involved in various related government and industry groups, and brief the Company' s Board quarterly on relevant cybersecurity issues. Although the~~ Utilities continue to make investments in their cybersecurity program, including personnel, technologies, cyber insurance and training of Utilities personnel **; however** , there can be no assurance that these systems or their expected functionality will be implemented, maintained, or expanded effectively; nor can security measures completely eliminate the possibility of a cybersecurity breach. The ~~Utility~~ **Utilities** ~~maintains~~ - **maintain** cyber liability insurance that covers certain damages caused by cyber incidents. However, there is no guarantee that adequate insurance will continue to be available at rates the ~~Utility~~ **Utilities** ~~believes~~ - **believe** are reasonable or that the costs of responding to and recovering from a cyber incident will be covered by insurance or recoverable in rates. If the Utilities' **operational technologies or networks were to malfunction or fail or** cybersecurity measures were to be breached, the Utilities could suffer financial loss, business disruptions, liability to customers, regulatory intervention or damage to their reputations. Due to the size, scope and complexity of the Utilities' business, the development and maintenance of information technology systems to process and track information is critical and challenging. The Utilities often rely on third- party vendors to host, maintain, modify, and update its systems and these third-party vendors could cease to exist, fail to establish adequate processes to protect the Utilities systems and information, experience supply chain compromises or other internal or external security incidents. In addition, the Utilities are pursuing complex business transformation initiatives, which include the implementation of new systems and the upgrade or replacement of existing systems. Significant system changes increase the risk of system interruptions ~~. Although the Utilities maintain change control processes to mitigate this risk~~ , **which** ~~system interruptions~~ may occur. Further, delay or failure to complete the integration of information systems and processes may result in delays in regulatory cost recovery, or the failure to realize the benefits anticipated to be derived from these initiatives. The Utilities **'** ~~have disaster recovery and incident response plans in place to protect their businesses from information technology service interruptions. The~~ disaster recovery plans ~~, however,~~ may not be successful in preventing the loss of customer data, service interruptions and disruptions to operations or damage to important facilities. If any of these systems fail to operate properly or become disabled and the Utilities' disaster recovery plans do not effectively resolve the issues in a timely manner, the Utilities could suffer financial loss, business disruptions, liability to customers, regulatory intervention or damage to their reputations, any of which could have a material adverse effect on the Utilities' and the Company' s financial condition and results of operations. ASB. ASB is highly dependent on its ability to process, on a daily basis, a large number of transactions and relies heavily on communication and information systems, including those of third- party vendors and other service providers **. If any of these systems fail to operate properly or**

become disabled even for a brief period of time, ASB could suffer financial loss, business disruptions, liability to customers, regulatory intervention or damage to its reputation, any of which could have a material adverse effect on ASB' s and the Company' s financial condition and results of operations . Communication and information system failures can result from a variety of risks including, but not limited to, events that are wholly or partially out of ASB' s control, such as communication line integrity, weather, terrorist acts, natural disasters, accidental disasters, unauthorized breaches of security systems, energy delivery systems, cyberattacks and other events. ASB is under continuous threat of loss due to cyberattacks, especially as ASB continues to expand customer capabilities to utilize the Internet and other digital channels to transact business. Two of the most significant cyberattack risks that ASB faces are e- fraud and loss of sensitive customer data. Loss from e- fraud occurs when cybercriminals extract funds directly from ASB or its customers' accounts using fraudulent schemes that may include Internet- based funds transfers. ASB has been subject to e- fraud incidents historically. Loss of sensitive customer data are attempts to steal sensitive customer data, such as account numbers and social security numbers, through unauthorized access to computer systems, including computer hacking. Such attacks ~~are less frequent, but~~ could present significant reputational, legal and regulatory costs if successful. Intrusion detection and prevention systems, anti- virus software, firewalls and other general information technology controls have been put in place to **help** detect and prevent cyberattacks or information system breaches. ~~A disaster~~ **Disaster** recovery **and incident response** ~~plan~~ **plans** ~~has~~ **have** been developed ~~in the event of a~~ **to respond to unplanned incidents such as** natural ~~disaster~~ **disasters** , **cyberattacks** ~~security breach, military or terrorist action, power or communication failure or similar event. The disaster recovery plan, however, may not be successful in preventing the loss of customer data, service interruptions, disruptions to operations or damage to important facilities. Although ASB devotes significant resources to maintain and regularly upgrade its systems and processes that are designed to protect the security of ASB' s computer systems, software, networks~~ and other **disruptive events. However** ~~technology assets and the confidentiality, integrity and availability of information belonging to ASB and its customers,~~ there can be no assurance that ~~such~~ failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately ~~corrected~~ **protected or recovered** by ASB or its vendors. **Despite** ~~If any of these~~ -- **the security measures we have implemented, certain cyber incidents could materially disrupt operational** systems ~~fail to operate properly~~ **; result in loss of trade secrets or other proprietary or competitively sensitive information; compromise personally identifiable information regarding customers or employees; delay** ~~or~~ **our** ~~become disabled even~~ **ability to deliver products to customers; and / or jeopardize the security of our facilities. Additionally unauthorized access to our computer systems or stored data could result in the theft, including cyber- theft, or improper disclosure of confidential information, and the deletion or modification of records could cause interruptions in our operations. Further, a data breach involving theft, improper disclosure, or other unauthorized access to or acquisition of confidential information could subject the Bank to penalties** for **violation** ~~a brief period~~ of ~~time~~ **applicable privacy laws, claims by third parties, and enforcement actions by government agencies. In addition** , ASB **' s operational systems may be subject** ~~could suffer financial loss, business disruptions, liability~~ to **new cybersecurity risks due** ~~customers, regulatory intervention or damage~~ to ~~its reputation~~ **modernizing and interconnecting existing infrastructure with new technologies and control systems** , ~~any of which could~~ **including those owned by third parties. Although ASB has not experienced a material cybersecurity breach to date, such incidents may occur and may** have a material adverse effect on ~~ASB' s and~~ the **Bank should a material incident occur** ~~Company' s financial condition and results of operations~~ . Uninsured Losses — HEI' s businesses could suffer losses that are uninsured due to a lack of affordable insurance coverage, unavailability of insurance coverage or limitations on the insurance coverage the Company does have. In the ordinary course of business, HEI and its subsidiaries purchase insurance coverages (e. g., property and liability coverages) to protect against loss of, or damage to, their properties and against claims made by third parties and employees for property damage or personal injuries. However, the protection provided by such insurance is limited in significant respects and, in some instances, there is no coverage. Some of the insurance coverages have substantial deductibles or has limits on the maximum amounts that may be recovered. In common with other companies in its line of business, the Utilities' overhead and underground transmission and distribution systems (with the exception of substation buildings and contents), which have a replacement value roughly estimated at $ ~~9~~ **12** billion, are largely not insured against loss or damage because the amount of transmission and distribution system insurance capacity is limited and the premiums are cost prohibitive. Similarly, the Utilities have no business interruption insurance as the premiums for such insurance would be cost prohibitive, particularly since the Utilities are not interconnected to other systems. If a hurricane or other uninsured catastrophic natural disaster were to occur, and if the PUC did not allow the affected Utilities to recover from ratepayers restoration costs and revenues lost from business interruption, the lost revenues and repair expenses could result in a significant decrease in HEI' s consolidated net income or in significant net losses for the affected periods **. Related to damages and costs incurred as a result of the Maui windstorm and wildfires, the Company has property insurance with a total policy limit of $ 500 million, subject to a $ 1 million retention, for wildfire damages related to Utility- owned non- generating assets, including overhead transmission and distribution assets within 1, 000 feet of such assets. The Company also has $ 165 million of excess liability insurance, subject to a $ 0. 3 million retention, for third party claims including claims related to wildfires, and $ 145 million directors and officers liability insurance, subject to a $ 1. 0 million retention, to cover claims related to shareholder and derivative lawsuits. The aggregate damages and costs associated with the Maui windstorm and wildfires could significantly exceed the Company' s policy limits** . ASB generally does not obtain credit enhancements, such as mortgagor bankruptcy insurance, but does require standard hazard and hurricane insurance and may require flood insurance for certain properties. ASB is subject to the risks of borrower defaults and bankruptcies, special hazard losses not covered by the required insurance and the insurance company' s inability to pay claims on existing policies. Environmental Regulation — Increased federal and state environmental regulation will require an increasing commitment of resources and funds and could result in construction delays or penalties and fines for non- compliance. HEI and its subsidiaries are subject to federal, state and local environmental laws and regulations relating to air quality, water quality, hazardous substances, waste management, natural resources and health and safety, which regulate, among other matters, the operation of existing facilities, the construction and operation of new facilities and the proper cleanup and disposal of hazardous and toxic wastes and substances. These laws and regulations could result in increased capital, operating, and other costs. HEI or its subsidiaries are currently involved in investigatory or remedial actions at current, former or third- party sites and there is no assurance that the Company will not incur material costs relating to these sites. In addition, compliance with these legal requirements requires the Utilities to commit significant resources and funds toward, among other things, environmental monitoring, installation of pollution control equipment and payment of emission fees. These laws and regulations, among other things, require that certain environmental permits be obtained in order to construct or operate certain facilities, and obtaining such permits can entail significant expense and cause substantial construction delays. Also, these laws and regulations may be amended from time to time, including amendments that increase the burden and cost of compliance. For example, emission and / or discharge limits may be tightened, more extensive permitting requirements may be imposed and additional substances may become regulated. In addition, significant regulatory uncertainty exists regarding the impact of federal or state greenhouse gas emission limits and reductions. If HEI or its subsidiaries fail to comply with environmental laws and regulations, even if caused by factors beyond their control, that failure may result in civil or criminal penalties and fines or the cessation of operations that could have a material adverse on the Company' s financial condition or results of operations. Electric utility risks. The following risks are generally specific to Hawaiian Electric, but could have a material adverse effect on the Company' s consolidated results of operations, financial condition and liquidity. Regulatory Risk — Actions of the PUC are outside the control of the Utilities and could result in inadequate or untimely rate increases, rate reductions or refunds or unanticipated delays, expenses or writedowns in connection with the construction of new projects. The rates the Utilities are allowed to charge for their services and the timeliness of permitted rate increases are among the most important items influencing the Utilities' results of operations, financial condition and liquidity. The PUC has broad discretion over the rates that the Utilities charge their customers. On December 23, 2020, as part of the D & O establishing the PBR Framework, the PUC established a five- year Multi- year Rate Period (MRP) during which there will be no general rate cases. In the fourth year of the MRP, the PUC will comprehensively review the PBR Framework to determine if any modifications or revisions are appropriate. Any adverse decision by the PUC concerning the level or method of determining electric utility rates at the end of the MRP, including the items and amounts that may be included in rate base, the returns on equity or rate base found to be reasonable, the potential consequences of exceeding or not meeting such returns, the denial of exceptional project recovery applications during the MRP, adverse impact of adjustments made to the PBR Framework, decisions on recovery of exogenous items under the PBR Framework, or any prolonged delay in rendering a decision in a rate or other proceeding could have a material adverse effect on Hawaiian Electric' s consolidated results of operations, financial condition and liquidity. To improve the timing and certainty of the recovery of their costs, the Utilities have proposed and / or received approval of various cost recovery mechanisms, including an ECRC (includes a PUC- ordered 98 % / 2 % risk- sharing split between customers and the Utilities for fossil fuel price variations from baseline prices, with a current annual aggregate exposure cap of /- $ 3. 7 million), a PPAC, and pension and OPEB tracking mechanisms, as well as a decoupling mechanism, an exceptional project recovery mechanism (EPRM) (formerly Major Project Interim Recovery (MPIR) adjustment mechanism), and a Renewable Energy Infrastructure Program surcharge. A change in, or the elimination of, any of these cost recovery mechanisms, could have a material adverse effect on the Utilities. See " Regulatory mechanisms " in Electric Utility' s Business. Under the PBR Framework, the Utilities' annual revenue adjustment (ARA) includes a customer dividend consisting of a negative adjustment of 0. 22 % compounded annually and a flow through of the " pre- PBR " savings commitment from the management audit recommendations developed in the 2020 test year rate case. The ability of the Utilities to recover increasing costs and earn a reasonable return on capital investments not covered by the ARA or not achieving the customer dividend and cost savings commitment could have a material adverse effect on the Utilities. Under the PBR Framework, the existing PIMs continue, and the PUC established new PIMs and is working on additional PIMs with stakeholders. The assessment of penalties for not achieving performance goals or the failure to achieve PIMs rewards could affect the Utilities' ability to achieve their allowed ROACEs and have a material adverse effect on the Utilities. **Related to the Maui windstorm and wildfires, the Utilities received PUC approval to temporarily suspend Maui Electric' s Transmission and Distribution (T & D) System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) PIMs from August 8, 2023 through June 30, 2024. If the temporary suspension of Maui Electric' s T & D PIMs is not extended beyond June 30, 2024, Maui Electric' s maximum annual penalty for T & D SAIDI and SAIFI could have a $ 0. 4 million impact on the Utilities' results of operations. The Utilities also obtained PUC approval to defer certain non- labor expenses incurred from August 8, 2023 through December 31, 2024 that are not already a part of base rates. If the PUC denies recovery of any deferred costs, such costs would be charged to expense in the period that those costs are no longer considered probable of recovery. Additionally, on August 31, 2023, the PUC issued an order temporarily suspending the ESM until further notice. The intent of the order is to address the unintended consequence of customers potentially bearing the costs associated with the Maui windstorm and wildfires through the operation of the ESM without prior PUC review. See " Performance- based regulation framework " and " Regulatory assets for Maui windstorm and wildfires related costs " in Note 4 of the Consolidated Financial Statements.** Based on the current operations of the Utilities and regulatory framework, including the impact of the approved PBR Framework, the Utilities continue to follow regulatory accounting under Accounting Standards Codification (ASC) 980. Continued accounting in this manner requires that certain criteria relating to the recoverability of such costs through rates be met, including achieved financial results that support the recovery of costs. If events or circumstances should change, such that the criteria are no longer satisfied, the Utilities expect that their regulatory assets (amounting to $ ~~243~~ **295** million as of December 31, ~~2022~~ **2023**), net of regulatory liabilities (amounting to $ 1, ~~056~~ **151** million as of December 31, ~~2022~~ **2023**), would be charged to the statement of income in the period of discontinuance. See " Performance- based regulation framework ” in Note ~~3~~ **4** of the Consolidated Financial Statements. The Utilities could be required to refund to their customers, with interest, revenues that have been or may be received under interim rate orders in their rate case proceedings and other proceedings, if and to the extent they exceed the amounts allowed in final orders. Many public utility projects require PUC approval and various permits (e. g., environmental and land use permits) from other governmental agencies. Difficulties in obtaining, or the inability to obtain, the necessary approvals or permits, or any adverse decision or policy made or adopted, or any prolonged delay in rendering a decision, by an agency with respect to such approvals and permits, can result in significantly increased project costs or even cancellation of projects. In the event a project does not proceed, or if the PUC disallows cost recovery for all or part of a project, or if project costs exceed caps imposed by the PUC in its approval of the project, project costs may need to be written off in amounts that could result in significant reductions in Hawaiian Electric’ s consolidated net income ~~. See risk factor, “ COVID- 19 — Our business, financial condition, liquidity and results of operations are being and could continue to be adversely impacted by the ongoing effects of the COVID- 19 pandemic ” in the “ Holding company and company- wide ” risk factor section for a discussion regarding the risks related to the recovery of deferred COVID- 19 costs and expenses~~ . Weather Conditions Risk — Electric utility operations are significantly influenced by weather conditions and natural disasters. The Utilities’ results of operations can be affected by the weather and natural disasters. Weather conditions, particularly temperature and humidity, directly influence the demand for electricity. **Additionally** ~~In addition~~ , severe weather and natural disasters ~~, such as hurricanes, earthquakes, tsunamis, lava flows and lightning storms, some of which~~ may become more ~~severe~~ **intense and /** or frequent **because** ~~as a result~~ of global climate changes **. Recent natural disasters** ~~, have occurred in the past (~~ such as the Kilauea eruption in 2018 ~~which resulted in PGV’ s shutdown~~ , ~~and the~~ Mauna Loa eruption in 2022 ~~)~~ **,** and ~~will likely continue to occur in~~ the ~~future~~ **Maui windstorm and wildfires in 2023, resulted in disruption or destruction of electric utility operations** . When these **types of** events occur, they can cause outages and property damage and require the Utilities to incur significant additional expenses that may not be recoverable. Climate Change Risk — Electric utility operations may be significantly influenced by climate change. While the timing, extent and ultimate effects of climate change cannot be determined with any certainty, climate change is predicted to result in sea level rise, which could potentially impact coastal and other low- lying areas (where much of the Utilities’ electric infrastructure is sited), and could cause erosion of beaches, saltwater intrusion into aquifers and surface ecosystems, higher water tables and increased flooding and storm damage due to heavy rainfall. The effects of climate change on the weather (for example, floods, hurricanes, heat waves or drought conditions, the latter of which could increase wildfire risk), sea levels, and water availability and quality, all have the potential to materially adversely affect the results of operations, financial condition and liquidity of the Utilities. For example, severe weather and its related impacts could cause significant harm to the Utilities’ physical facilities. Third Party Performance Risk — Electric utility operations depend heavily on third- party suppliers of fuel and purchased power. The Utilities rely on fuel suppliers and shippers, and IPPs to deliver fuel and power, respectively, in accordance with contractual agreements. Approximately ~~72~~ **79** % of the net energy generated or purchased by the Utilities in ~~2022~~ **2023** was generated from the burning of fossil fuel oil, and purchases of power by the Utilities provided about ~~43~~ **38** % of their total net energy generated and purchased for the same period. Failure or delay by fuel suppliers and shippers to provide fuel pursuant to existing contracts, or failure by a major IPP to deliver the firm capacity anticipated in its PPA, could disrupt the ability of the Utilities to deliver electricity, affect the Utilities’ maintenance schedules that could affect future reliability and require the Utilities to incur additional expenses to meet the needs of their customers that may not be recoverable. In addition, as the IPP contracts near the end of their terms, there may be less economic incentive for the IPPs to make investments in their units to ensure the availability of their units. Also, as these contractual agreements end, the Utilities may not be able to purchase fuel and power on terms equivalent to the current contractual agreements. Capacity Risk — The capacity provided by the Utilities’ generating resources and third- party purchased power may not be sufficient to meet customers’ energy requirements. The Utilities rely upon their generating resources and purchased power from third parties to meet their customers’ energy requirements. The Utilities update their generation capacity evaluation each year to determine the Utilities’ ability to meet reasonably expected demands for service and provide reasonable reserves for emergencies and other unplanned events. These evaluations are impacted by a variety of factors, including customer energy demand, energy conservation and efficiency initiatives, economic conditions, and weather patterns. If the capacity provided by the Utilities’ generating resources and third- party purchased power is not adequate relative to customer demand, the Utilities may have to contract to buy more power from third parties, invest in additional generating facilities over the long- term, or extend the operating life of existing utility units. Any failure to meet customer energy requirements **could negatively impact the satisfaction of the Utilities’ customers, which could have an adverse impact on the Utilities’ business, reputation and results of operations. Related to the Maui windstorm and wildfires, the Utilities continue to expect potential generation shortfalls on Maui in 2024. The Energy Reserve Margin, the planning criteria used to determine generation adequacy, is the percentage which the system generation capacity must exceed the system load in each hour. The Utilities’ Energy Reserve Margin analysis indicates shortfalls in 2024, but is satisfied from 2025 through 2028 with the addition of planned generation and storage resource additions. The Utilities have plans to address this issue in 2024 through managing maintenance schedules of existing generations, and if necessary, may request for voluntary customer conservation during periods of high power demands. The environment for resource planning has increased in complexity and uncertainty and the Utilities will continue using a portfolio approach to meet its obligation to serve. This includes increased renewable energy, energy storage, and other potential options, both supply side and customer programs. If the Utilities are unable to meet customer energy requirements, it** could negatively impact the satisfaction of the Utilities’ customers, which could have an adverse impact on the Utilities’ business, reputation and results of operations. Stakeholder Activism Risk — Electric utility and third- party purchased power projects may be significantly impacted by stakeholder activism. The potential impact of stakeholder activism could increase total utility project costs, and delay the permitting, construction and overall timing or preclude the completion of third- party or utility projects that are required to meet electricity demand, resilience and reliability objectives, and RPS and other climate related goals. If a utility project cannot be completed, the project costs may need to be written off in amounts that could result in significant reductions in Hawaiian Electric' s consolidated net income and negatively impact its financial condition and liquidity. Operational Risk — Electric utility generating facilities are subject to operational risks that could result in unscheduled plant outages, unanticipated and / or increased operation and maintenance expenses and increased power purchase costs. Operation of electric generating facilities involves certain risks which can adversely affect energy output and efficiency levels. Included among these risks are facility shutdowns or power interruptions due to insufficient generation or a breakdown or failure of equipment or processes. In addition, operations could be negatively impacted by interruptions in fuel supply, inability to negotiate satisfactory collective bargaining agreements when existing agreements expire or other labor disputes, inability to comply with regulatory or permit requirements, disruptions in delivery of electricity, operator error **, adverse weather or environmental conditions** and catastrophic events such as earthquakes, tsunamis, hurricanes, fires, explosions, lava flows, floods or other similar occurrences affecting the Utilities' generating facilities or transmission and distribution systems. Legislative Risk — The Utilities may be adversely affected by new legislation or administrative actions. Congress, the Hawaii legislature and governmental agencies periodically consider legislation and other initiatives that could have uncertain or negative effects on the Utilities and their customers. Congress, the Hawaii legislature and governmental agencies have adopted, or are considering adopting, a number of measures that will significantly affect the Utilities, as described below. Renewable Portfolio Standards law. The 2001 Hawaii Legislature adopted a law requiring the Utilities to meet a renewable portfolio standard, which has been amended over the years. The most recent amendment to Hawaii' s RPS law occurred in ~~2015, which requires the electric utilities to meet an RPS of 15 %, 30 %, 40 %, 70 % and 100 % by December 31, 2015, 2020, 2030, 2040 and 2045 respectively. Energy savings resulting from energy efficiency programs do not count toward the RPS after 2014. In~~ July 2022, **which** Governor Ige signed Act 240 (H. B. 2089), that amended the RPS calculation from renewable energy as a percentage of sales to renewable energy as a percentage of total generation. The amended RPS calculation results in a lower calculated percentage than the amount calculated under the previous methodology. The change in the definition is to be applied prospectively to future milestone measurements and will require that the Utilities acquire more renewable energy than under the previous RPS calculation to comply with the RPS milestones. The Utilities are committed to achieving these goals and met the 2015 and 2020 RPS; however, due to the exclusion of energy savings in calculating RPS after 2014 and risks such as potential delays in IPPs being able to deliver contracted renewable energy, it is possible the Utilities may not attain the required renewable percentages in the future, and management cannot predict the future consequences of failure to do so (including potential penalties to be assessed by the PUC). On December 19, 2008, the PUC approved a penalty of $ 20 for every **megawatt- hour (** MWh **)** that an electric utility is deficient under Hawaii' s RPS law. The PUC noted, however, that this penalty may be reduced, in the PUC' s discretion, due to events or circumstances that are outside an electric utility' s reasonable control, to the extent the event or circumstance could not be reasonably foreseen and ameliorated, as described in the RPS law and in an RPS framework adopted by the PUC. In addition, the PUC ordered that the Utilities will be prohibited from recovering any RPS penalty costs through rates. Renewable energy. In 2007, a measure was passed by the Hawaii legislature stating that the PUC may consider the need for increased renewable energy in rendering decisions on utility matters. Due to this measure, it is possible that, if energy from a renewable source is more expensive than energy from fossil fuel, the PUC may still approve the purchase of energy from the renewable source, resulting in higher costs. Global climate change and greenhouse gas emissions reduction. National and international concern about climate change and the contribution of greenhouse gas (GHG) emissions (including carbon dioxide emissions from the combustion of fossil fuels) to climate change have led to federal legislative and regulatory proposals and action by the state of Hawaii to reduce GHG emissions. In July 2007, the State Legislature passed Act 234, which requires a statewide reduction of GHG emissions by January 1, 2020 to levels at or below the statewide GHG emission levels in 1990. On June 20, 2014, the Governor signed the final rules required to implement Act 234 and these rules went into effect on June 30, 2014. In general, Act 234 and the GHG rule require affected sources that have the potential to emit GHGs in excess of established thresholds to reduce their GHG emissions by 16 % below 2010 emission levels by 2020. In accordance with state requirements, the Utilities submitted an Emissions Reduction Plan (ERP) to the ~~DOH~~ **State of Hawaii Department of Health** on June 30, 2015, with the most recent revision filed on June 9, 2020, to reflect the partnership established between the Utilities and several IPPs. In this plan, the partnership committed to a 16 % reduction in GHG emissions in accordance with the rule, which the partnership achieved in 2017 in advance of the 2020 requirement. The ~~DOH~~ **State of Hawaii Department of Health** issued the air permits incorporating the ERP, including provisions to address the period of unavailability of the PGV facility on Hawaii Island. It is expected that with the advent of additional renewable projects and the application to the PUC with respect to the expansion of the PPA for the PGV project, the goals should be attainable. Hawaii Revised Statutes (HRS) § 269- 6 (b) requires that " in making determinations of the reasonableness of the costs pertaining to electric or gas utility system capital improvements and operations, the PUC shall explicitly consider, quantitatively or qualitatively, the effect of the state' s reliance on fossil fuels on price volatility, export of funds for fuel imports, fuel supply reliability risk, and greenhouse gas emissions. " Based on HRS § 269- 6 (b) and recent case law discussing the scope of this section, the Utilities are performing GHG analyses to quantitatively or qualitatively describe the GHG emissions of proposed projects that are submitted to the PUC for approval. In June 2018, House Bill 2182 was signed into law as Act 15 and took effect on July 1, 2018. Among its provisions, Act 15 aligned the state' s clean energy and carbon sequestration efforts with climate initiative goals and established a statewide carbon neutral goal by 2045. Under this Act, efforts would be made to " sequester more atmospheric carbon and greenhouse gases than emitted within the state as quickly as practicable, but no later than 2045. " The Hawaii Climate Change Mitigation and Adaptation Commission, administratively placed under the State Department of Land and Natural Resources, was charged with endeavoring to achieve the target, and giving consideration to the impact of its plans, decisions and strategies on the state' s ability to attain the goal. The general functions, duties and powers of the Hawaii Climate Change Mitigation and Adaptation Commission are set forth in HRS § 225P- 3. To achieve its mandates, the Hawaii Climate Change Mitigation and Adaptation Commission may recommend plans, decisions and strategies that could have an impact on various entities including the Utilities. In July 2022, House Bill 1800 was signed into law as Act 238 and took effect on July 1, 2022. The Act established a goal for the statewide greenhouse gas emissions limit to be at least 50 % below 2005 levels by 2030. The Utilities have taken, and continue to identify opportunities to take, direct action to reduce GHG emissions from their operations, including, but not limited to, supporting demand- side management programs that foster energy efficiency, using renewable resources for energy production and purchasing power from IPPs generated by renewable resources, and burning renewable biodiesel at selected Hawaiian Electric and Maui Electric generating units. In November 2021, the Utilities committed to a 70 % reduction in power generation GHG emissions by 2030 compared to a 2005 baseline and achievement of net zero carbon emissions from power generation by 2045. While the reduction is not mandated by law, the Utilities could suffer reputational harm if it fails to achieve its commitments, which may negatively impact its business. **Since the time the 2030 goal was established, delays and cancellations in the commercial operation of new renewable third- party generation resources and higher costs as a result of supply chain disruptions and inflationary pressures, as well as federal policies related to solar panel imports, have slowed the pace of progress toward reducing GHG emissions. The downgrade of Hawaiian Electric' s credit ratings after the Maui windstorm and wildfires is anticipated to be an additional impediment to completion of new renewable energy and storage projects. As a result of these challenges, the Utilities expect the planned 70 % reduction in carbon emissions to be achieved later than the original 2030 target date. However, the Utilities will continue to replace significant amounts of fossil fuel generation with renewable energy between now and 2030 and expect to meet or exceed the State of Hawaii' s RPS goals.** The foregoing legislation or legislation that now is, or may in the future be, proposed, such as potential carbon " cap and trade " legislation that, if applicable, may fundamentally alter costs to produce electricity and accelerate the move to renewable generation, present risks and uncertainties for the Utilities. Renewable Transition Risk — The Utilities may be subject to increased operational challenges and their results of operations, financial condition and liquidity may be adversely impacted in meeting the commitments and objectives of clean energy initiatives, Renewable Portfolio Standards (RPS) and other climate related goals. The far- reaching nature of the Utilities' renewable energy commitments and the RPS and other climate related goals present risks to the Company. Among such risks are: (1) the potential delay by the Public Utilities Commission of the State of Hawaii (PUC) in considering (and potential disapproval of actual or proposed) renewable energy proposals and related costs; (2) the dependence on outside parties, such as the state, developers and third- party suppliers of renewable purchased energy, which if the Utilities are unsuccessful in negotiating purchased power agreements with such IPPs or if a major IPP delays or fails to deliver the anticipated capacity and / or energy in its purchased power agreement, could impact the Utilities' achievement of their commitments to RPS and other climate related goals, eligibility for performance incentive mechanisms associated with the speed of increasing renewable generation, the ability to retire fossil fuel units, and / or the Utilities' ability to deliver reliable service; (3) delays in acquiring or unavailability of non- fossil fuel supplies for renewable generation; (4) the impact of intermittent power to the electrical grid and reliability of service if appropriate supporting infrastructure is not installed or does not operate effectively; (5) the inability to recover the undepreciated cost of fossil fuel generating units if they are required to be retired before the end of their expected useful life; (6) uncertainties surrounding current and future renewable technologies, such as solar power, wind power, biofuels, battery storage, hydro, hydrogen, as well as related environmental assessments required to meet RPS and other climate related goals; (7) the impacts of implementation of the renewable energy proposals on future costs of electricity and potential penalties imposed by the PUC for delays in the commercial operations of renewable energy projects; (8) the likelihood that the Utilities may need to make substantial investments in related infrastructure, which could result in increased borrowings and, therefore, materially impact the financial condition and liquidity of the Utilities; (9) the imputed debt related to the pending renewable power purchase agreements under the stage 1, stage 2, stage 3 and other RFPs could result in a credit rating downgrade for the Utilities and the Company; and (10) the commitment to support a variety of initiatives, which, if approved by the PUC, may have a material impact on the results of operations and financial condition of the Utilities depending on their design and implementation. These initiatives include, but are not limited to, programs to enable more customer- sited generation. The implementation of these or other programs may adversely impact the results of operations, financial condition and liquidity of the Utilities. Bank risks. The following risks are generally specific to ASB, but could have a material adverse effect on the Company' s consolidated results of operations, financial condition and liquidity. Interest Rate Risk — Fluctuations in interest rates could result in lower net interest income, impair ASB' s ability to originate new loans ~~or~~ **,** impair the ability of ASB' s adjustable- rate borrowers to make increased ~~payments~~ **payment obligations** ~~or cause such borrowers to repay their adjustable- rate loans~~ or impact ASB' s ability to attract **and retain** deposits. Interest rate risk is a significant risk of ASB' s operations. ASB' s net interest income consists primarily of interest income received on fixed- rate and adjustable- rate loans, mortgage- backed securities and investments, less interest expense consisting primarily of interest paid on deposits and other borrowings. Interest rate risk arises when earning assets mature or **reprice** ~~when their interest rates change~~ in a time frame different from that of ~~the~~ costing liabilities. Changes in ~~market~~ interest rates, including changes in the relationship between short- term and long- term **tenors** ~~market interest rates~~ (e. g., a flat or an inverted yield curve) or between different interest rate indices, ~~and the duration and severity of the changes in market interest rates~~ can impact ASB' s net interest margin. See " Quantitative and Qualitative Disclosures about Market Risk. " Although ASB pursues an asset- liability management strategy designed to mitigate its risk from changes in ~~market~~ interest rates, ~~unfavorable~~ **adverse** movements in interest rates could result in lower net interest income **or net interest margin** . Residential 1- 4 family fixed- rate mortgage loans comprised about ~~38~~ **37** % of ASB' s loan portfolio as of December 31, ~~2022~~ **2023** ~~and do not re- price with movements in interest rates. ASB continues to face a challenging interest rate environment~~ . Increases in market interest rates could have an adverse impact on ASB' s cost of funds. Higher market interest rates could lead to higher interest rates paid on deposits and other borrowings. Significant increases in market interest rates, or the perception that an increase may occur, could adversely affect ASB' s ability to originate new loans ~~and grow~~. An increase in market interest rates, especially a sudden increase, similar to the rapid federal funds rate increases experienced in 2022, could also adversely affect the ability of ASB' s adjustable- rate borrowers to meet their higher payment obligations. If this occurred, it could cause an increase in nonperforming assets and charge- offs. Conversely, a decrease in interest rates or a mismatching of maturities of interest sensitive financial instruments could result in an acceleration in the prepayment of loans and mortgage-backed securities and impact ASB' s ability to reinvest its liquidity in similar yielding assets. ASB relies on customer deposits as a sizable source of relatively stable and low- cost ~~funds~~ **funding** . Changes in ~~market~~ interest rates impact the interest paid on deposits and can significantly impact the Bank' s net interest income **and net interest margin** . Changes in interest rates may also impact the level of low- cost core deposits that the Bank' s customers maintain in their accounts, which may require ASB to seek higher costing wholesale borrowings ~~. LIBOR Sunset Transition Risk — Changes in the method for determining London Interbank Offered Rate (LIBOR) and the potential replacement of LIBOR may affect our loan portfolio and interest income on loans. On July 27, 2017, the United Kingdom' s Financial Conduct Authority (FCA), which regulates LIBOR, announced that it intended to phase out LIBOR by the end of 2021. On March 5, 2021, the ICE Benchmark Administration Limited (IBA), as administrator of LIBOR, publicly announced that it intended to cease publication of one week and two- month USD LIBOR tenors on December 31, 2021 and the remaining USD LIBOR tenors on June 30, 2023. The U. S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee composed of large U. S. financial institutions, announced replacement of U. S. dollar LIBOR with a new index calculated by short- term repurchase agreements, backed by U. S. Treasury securities called the Secured Overnight Financing Rate (SOFR). ASB has loans and other financial instruments with rates that are either directly or indirectly tied to LIBOR. Failure to adequately manage this transition process with our customers could adversely impact the Bank' s reputation. ASB has formed a cross- functional project team to oversee the transition. The project team reports to Management and the Board on a periodic basis. The project team is organized around key work streams which cover products, systems and operational processes impacted by the transition as well as client communication. The project team has completed an inventory of existing LIBOR- indexed products, which are monitored on an ongoing basis. In addition, the project team has retired all LIBOR- based originations as of December 31, 2021 and continues to offer floating rate loans with alternative indices, including SOFR. ASB will continue to monitor legacy contracts and will continue the orderly transition away from LIBOR by June 30, 2023 in accordance with the OCC and other federal financial institution regulatory agencies' statement on LIBOR transition~~. Credit Risk — ASB' s allowance for credit losses may not cover actual loan losses. ASB' s allowance for credit losses is ASB' s estimate of lifetime expected credit losses on financial instruments and other commitments to extend credit and is based on a continuing assessment of: • existing risks in the loan portfolio; • historical loss experience with ASB' s loans; • changes in collateral value; • current conditions (for example, economic conditions, real estate market conditions and interest rate environment); and • reasonable and supportable forecasts that affect the collectability of the reported amount. If ASB' s actual loan losses exceed its allowance for credit losses, it may incur losses, its financial condition may be materially and adversely affected, and additional capital may be required to enhance its capital position. In addition, various regulatory agencies, as an integral part of their examination process, regularly review the adequacy of ASB' s allowance. These agencies may require ASB to establish additional allowances based on their judgment of the information available at the time of their examinations. No assurance can be given that ASB will not sustain loan losses in excess of present or future levels of its allowance for credit losses. Operational Risk — ASB' s operations are affected by factors that are beyond its control, that could result in lower revenues, higher expenses or decreased demand for its products and services. ASB' s results of operations depend primarily on the income generated by the supply of, and demand for, its products and services, which primarily consist of loans and deposit **services. ASB also generates income from other non- deposit products and** services. ASB' s revenues and expenses may be adversely affected by various factors, including: • local, regional, national and other economic and political conditions that could result in declines in employment and real estate values, which in turn could adversely affect the ability of borrowers to make loan payments and the ability of ASB to recover the full amounts owing to it under defaulted loans; • the ability of borrowers to obtain insurance and the ability of ASB to place insurance where borrowers fail to do so, particularly in the event of catastrophic damage to collateral securing loans made by ASB; • faster than expected loan prepayments that can cause an acceleration of the amortization of premiums on loans and investments and the impairment of mortgage servicing assets of ASB; • changes in ASB' s loan portfolio credit profiles and asset quality, which may increase or decrease the required level of allowance for credit losses; • technological disruptions affecting ASB' s operations or financial or operational difficulties experienced by any outside vendor on whom ASB relies to provide key components of its business operations, such as business processing, network access or internet connections; • events of default and foreclosure of loans whereby ASB becomes the owner of mortgage properties that presents environmental risk or potential clean up liability; • the impact of legislative and regulatory changes, including changes affecting capital requirements, increasing oversight of and reporting by banks, or affecting the lending programs or other business activities of ASB; • additional legislative changes regulating the assessment of overdraft, interchange and credit card fees, which can have a negative impact on noninterest income; • public opinion about ASB and financial institutions in general, which, if negative, could impact the public' s trust and confidence in ASB and adversely affect ASB' s ability to attract and retain customers and expose ASB to adverse legal and regulatory consequences; • increases in operating costs (including employee compensation expense and benefits and regulatory compliance costs), inflation and other factors, that exceed increases in ASB' s net interest, fee and other income; and • the ability of ASB to maintain or increase the level of deposits, ASB' s lowest costing funds. Banking Regulatory Risk — Banking and related regulations could result in significant restrictions being imposed on ASB' s business or in a requirement that HEI divest ASB. ASB is subject to examination and comprehensive regulation by the Department of Treasury, the OCC and the FDIC, and is subject to reserve requirements established by the Board of Governors of the Federal Reserve System. In addition, the FRB is responsible for regulating ASB' s holding companies, HEI and ASB Hawaii. The regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities and examination policies to address not only ASB' s compliance with applicable banking laws and regulations, but also capital adequacy, asset quality, management ability and performance, earnings, liquidity and various other factors. Under certain circumstances, including any determination that ASB' s relationship with HEI results in an unsafe and unsound banking practice, these regulatory authorities have the authority to restrict the ability of ASB to transfer assets and to make distributions to its shareholders (including payment of dividends to HEI), or they could seek to require HEI to sever its relationship with or divest its ownership of ASB. Payment by ASB of dividends to HEI may also be restricted by the OCC and FRB under its prompt corrective action regulations or its capital distribution regulations if ASB' s capital position deteriorates. In order to maintain its status as a QTL, ASB is required to maintain at least 65 % of its assets in " qualified thrift investments. " Institutions that fail to maintain QTL status are subject to various penalties, including limitations on their activities. In ASB' s case, the activities of HEI and HEI' s other subsidiaries would also be subject to restrictions, and a failure or inability to comply with those restrictions could effectively result in the required divestiture of ASB. Federal legislation has also been proposed in the past that could operate to eliminate the thrift charter or the grandfathered status of HEI as a unitary thrift holding company, which in turn would result in a required divestiture of ASB. In the event of a required divestiture, federal law substantially limits the types of entities that could potentially acquire ASB. Bank Regulatory Risk- Heightened regulatory requirements if ASB' s total assets exceed $ 10 billion. As of December 31, ~~2022~~ **2023** , ASB had total assets of approximately $ 9. ~~5~~ **7** billion and it is possible that total assets could exceed $ 10 billion in the near future. The Dodd- Frank Act and its implementing regulations impose enhanced supervisory requirements on financial institutions with more than $ 10 billion in total assets. For financial institutions with more than $ 10 billion in total assets, such requirements include, among other things: • Applicability of Volcker Rule requirements and restrictions; • Increased capital leverage, liquidity and risk management standards; • Examinations by the CFPB for compliance with federal consumer financial protection laws and regulations; and • Limits on interchange fees on debit cards (Durbin Amendment). The Economic Growth, Regulatory Relief and Consumer Protection Act (EGRRCPA), which was enacted in 2018, amended the Dodd- Frank Act to raise the $ 10 billion stress testing threshold to $ 250 billion, among other things. The federal financial regulators issued final rules in 2019 to increase the threshold for these stress testing requirements from $ 10 billion to $ 250 billion, consistent with the EGRRCPA. ASB is already subject to limits for its interchange fees on debit cards as the Bank' s parent company, HEI, has total assets exceeding $ 10 billion and the Durbin Amendment did not exclude unitary thrift holding companies from the threshold for holding company assets subject to interchange fee limits. Federal financial regulators may require ASB to take actions to prepare for compliance with the foregoing requirements before it exceeds $ 10 billion in total assets. ASB' s regulators may consider its preparation for compliance with these regulatory requirements when examining the Bank' s operations or considering any request for regulatory approval. ASB may, therefore, incur compliance costs before it reaches $ 10 billion in total assets and may be required to maintain the additional compliance procedures even if the Bank does not grow at the anticipated rate or at all. Failure to comply with these new requirements may negatively impact the results of ASB' s operations and financial condition. To ensure compliance, the Bank may be required to invest significant resources, which may necessitate hiring additional personnel and implementing additional internal controls. These additional compliance costs may have a material adverse effect on our business, results of operations and financial condition. Legislative Risk — Legislative and regulatory initiatives could have an adverse effect on ASB' s business. From time to time, new legislative and other regulatory initiatives are enacted, which could have an adverse effect on ASB' s business. For example, the Dodd- Frank Act, which became law in July 2010, has had a substantial impact on the financial services industry. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and / or reputational damage, which could have a material adverse effect on ASB' s business, results of operations, financial condition and liquidity. Product Concentration Risk — A large percentage of ASB' s loans and securities are collateralized by real estate, and adverse changes in the real estate market and / or general economic or other conditions may result in loan losses and adversely affect the Company' s profitability. As of December 31, ~~2022~~ **2023** approximately ~~83~~ **84** % of ASB' s loan portfolio was comprised of loans primarily collateralized by real estate, most of which was concentrated in the State of Hawaii ~~. During 2022, ASB' s home equity lines of credit (HELOC) increased 20 % and the residential 1- 4 family portfolios increased by 8 %, comprising approximately 70 % of total real estate loans~~ . ASB' s financial results may be adversely affected by changes in prevailing economic conditions, either nationally or in the state. ASB had been pursuing a strategy that included expanding its commercial, commercial real estate and consumer lines of business. Commercial and commercial real estate loans have a higher risk profile than residential loans, in part due to larger average balances than residential loans. Though both commercial and commercial real estate loans have shorter terms and earn higher spreads than residential mortgage loans, these loan types generally entail higher underwriting and other service costs and present greater credit risks than traditional residential mortgages. Commercial loans are secured by the assets of the business and, upon default, any collateral repossessed may not be sufficient to repay the outstanding loan balance. In addition, loan collections are dependent on the borrower' s continuing financial stability and, thus, are more likely to be affected by current economic conditions and adverse business developments. Commercial real estate properties tend to be unique and are more difficult to value than residential real estate properties. Commercial real estate loans may not be fully amortizing, meaning that they have a significant principal balance or " balloon " payment due at maturity. In addition, commercial real estate properties, particularly industrial and warehouse properties, are generally subject to relatively greater environmental risks than noncommercial properties and to the corresponding burdens and costs of compliance with environmental laws and regulations. Also, there may be costs and delays involved in enforcing rights of a property owner against tenants in default under terms of leases with respect to commercial properties. For example, a tenant may seek protection under bankruptcy laws, which could result in termination of the tenant' s lease. ASB also has a national syndicated lending portfolio where ASB is a participant in credit facilities agented by established and reputable national lenders. Management selectively chooses each deal based on conservative credit criteria to ensure a high- quality, well diversified portfolio. In the event the borrower encounters financial difficulties and ASB is unable to sell its participation interest in the loan in the secondary market, ASB is typically reliant on the originating lender for managing any loan workout or foreclosure proceedings that may become necessary. Accordingly, ASB has less control over such proceedings than loans it originates and may be required to accommodate the interests of other participating lenders in resolving delinquencies or defaults on participated loans, which could result in outcomes that are not fully consistent with ASB' s preferred strategies. In addition, a significant proportion of ASB' s syndicated loans are originated in states other than Hawaii and are subject to the local regional and regulatory risks specific to those states. Similar to the national syndicated lending portfolio, ASB does not service commercial loans in which it has participation interests rather than being the lead or agent lender and is subject to the policies and practices of the agent lender, who is the loan servicer, in resolving delinquencies or defaults on participated loans. The consumer loan portfolio primarily consists of ~~personal~~ **solar and sustainable home improvement loans as well as** unsecured loans with risk- based pricing. Repayment is based on the borrower' s financial stability as these loans have no collateral and there is less assurance that ASB will be able to collect all payments due under these loans or have sufficient collateral to cover all outstanding loan balances. General Risk Factors. ~~ESG~~ **Sustainability** Risk — Increased scrutiny and changing stakeholder expectations with respect to our environmental, social and governance (~~ESG~~ **sustainability**) programs may result in increased costs and expenses and may expose the Company to new or incremental risks. Companies across all industries, including HEI, face increasing stakeholder scrutiny related to ~~ESG~~ **sustainability** practices. These stakeholders include investors, customers, consumers, employees, lenders and other stakeholders, and in recent years, certain stakeholders have placed increasing importance on the impact and social cost of their investments. This increased focus and activism related to ~~ESG~~ **sustainability** may hinder the cost of, or access to, capital or financing as these investors or lenders may elect to increase their required returns on capital offered to the company, reallocate capital or not commit capital as a result of their assessment of a company' s ~~ESG~~ **sustainability** risk profile. Additionally, if the Company fails to adapt, or is perceived to have failed in addressing investor, lender, and other stakeholder ~~ESG~~ **sustainability** expectations or standards, which continue to evolve, or if the Company fails to fully and accurately report its progress on managing risk under its ~~ESG~~ **sustainability** initiatives, the Company may suffer reputational damage and its business or financial condition could be materially and adversely affected. Human Capital Risk — HEI' s businesses may be unable to attract, hire, engage and retain a highly skilled and diverse workforce, including senior management, which could affect the Company' s execution of its growth strategy and profitability and adversely affect its future performance. The skill and experience of the Company' s employees, particularly with respect to the senior management team, are vital to the Company' s success. The management teams of HEI' s businesses have significant industry experience and would be difficult to replace. Failure to attract, hire, develop, motivate, and retain highly qualified and diverse employee talent, to develop and implement adequate succession plans for the senior management team, or to maintain a successful work culture that fosters collaboration, innovation, and good communication could disrupt the Company' s operations and adversely affect its businesses and its future success. In addition, a variety of economic and social factors are exacerbating the current labor supply shortage **for qualified individuals** , which may make it difficult to staff critical positions and retain key employees, and could result in significantly higher costs to maintain appropriate staffing levels with the right talent. The inability to fill these positions or a delay in staffing these positions could have a significant impact on the Company' s initiatives and strategies, which in turn would adversely affect the Company' s businesses and their future prospects. Inflation Risk — The Company' s costs and expenses could increase as a result of inflationary pressures and such increases may not be fully offset by an increase in revenues. A variety of economic and social factors have recently driven inflation to levels above the Federal Reserve Board' s long- term target of 2 %. Long- term inflationary pressures could result in higher labor, fuel oil, commodities, materials and supplies, outside services and capital costs, among others, that may not fully be offset by an increase in revenues, which would adversely affect the Company' s profitability and results of operations. For example, while the Utilities' annual revenue adjustment mechanism provides for an annual inflationary adjustment, recent months' annualized rates of inflation have surpassed the rate of the last inflationary adjustment for the Utilities' target revenues. To the extent the Utilities' increase in actual expenses exceeds the amount provided by the last inflationary adjustment and the Utilities are unable to offset such excess with other efficiencies or cost savings, the Utilities' profitability could be adversely impacted. Similarly, to the extent that higher labor and other costs at ASB, due to inflation or other factors, is not fully offset by an increase in non- interest income or net interest income, which is dependent on interest rates, the shape of the yield curve, earning assets growth and low-cost deposit liabilities, the Bank' s profitability and results of operations would be adversely impacted. Pension Liability Risk — HEI and Hawaiian Electric and their subsidiaries may incur higher retirement benefits expenses and have and will likely continue to be subject to substantial liabilities for retirement benefits. Retirement benefits expenses and cash funding requirements could increase in future years depending on numerous factors, including, but not limited to, the performance of the U. S. equity markets, trends in interest rates and health care costs, plan amendments, mortality improvements, new laws relating to pension funding and changes in accounting principles. For the Utilities, however, retirement benefits expenses, as adjusted by the pension and postretirement benefits other than pensions (OPEB) tracking mechanisms, have been an allowable expense for rate- making purposes. Tax Legislation Risk — Adverse tax rulings or developments or changes in tax legislation could result in significant increases in tax payments and / or expense. Governmental taxing authorities could challenge a tax return position taken by HEI or its subsidiaries and if the taxing authorities prevail, HEI' s consolidated tax payments and / or expense, including applicable penalties and interest, could increase significantly. Additionally, changes in tax legislation or IRS interpretations could increase the Company' s tax burden and adversely affect the Company' s financial position, results of operations, and cash flows. Litigation Risk — The Company could be subject to the risk of uninsured losses in excess of its accruals for litigation matters **, such as litigation related to the Maui windstorm and wildfires** . HEI and its subsidiaries are involved in routine litigation in the ordinary course of their businesses, most of which is covered by insurance (subject to policy limits and deductibles). ~~However~~ **HEI and its subsidiaries are also involved** , ~~other~~ **and may continue to become involved,**

in litigation ~~may arise~~ that is not routine **and /** or involves claims that may not be **fully** covered by insurance **, as may be the case with litigation related to the Maui windstorm and wildfires** . Because of the uncertainties associated with **the litigation related to the Maui windstorm and wildfires and other routine** litigation, there is a risk that **this** litigation against HEI or its subsidiaries, even if vigorously defended, could result in costs of defense and judgment or settlement amounts not covered by insurance and in excess of reserves established in HEI' s consolidated financial statements. Changes in Accounting Estimates Risk — Changes in accounting principles and estimates could affect the reported amounts of the Company' s assets and liabilities or revenues and expenses. HEI' s consolidated financial statements are prepared in accordance with accounting principles generally accepted in the U. S. Changes in accounting principles (including the possible adoption of International Financial Reporting Standards or new U. S. accounting standards), or changes in the Company' s application of existing accounting principles, could materially affect the financial statement presentation of HEI' s or the Utilities' consolidated results of operations and / or financial condition. Further, in preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change include the amounts reported for electric utility revenues; allowance for credit losses; income taxes; investment securities, property, plant and equipment; regulatory assets and liabilities; derivatives; pension and other postretirement benefit obligations; and contingencies and litigation. Changes in accounting principles can also impact HEI' s consolidated financial statements. For example, if management determines that a PPA requires the consolidation of the IPP in the financial statements, the consolidation could have a material effect on Hawaiian Electric' s and HEI' s consolidated financial statements, including the recognition of a significant amount of assets and liabilities and, if such a consolidated IPP were operating at a loss and had insufficient equity, the potential recognition of such losses. **33**