

BANK OF HAWAII CORP
Form 11-K
June 21, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO
☒ SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

OR

TRANSITION REPORT
PURSUANT TO
☐ SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT
OF 1934

For the transition period from to
Commission file number 1-6887

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Bank of Hawaii Retirement Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Bank of Hawaii Corporation

130 Merchant Street

Honolulu, Hawaii 96813

REQUIRED INFORMATION

Listed below are the financial statements and exhibits filed as part of the annual report.

A. Financial Statements

1. Report of Independent Registered Public Accounting Firm
2. Statements of Net Assets Available for Benefits as of December 31, 2016 and 2015
3. Statements of Changes in Net Assets Available for Benefits for the Years Ended December 31, 2016 and 2015
4. Notes to Financial Statements
5. Schedule of Assets (Held at End of Year)

B. Exhibits

Consent of Independent Registered Public Accounting Firm

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Bank
of
Hawaii
Retirement
Savings
Plan
(Name of Plan)

Date: June 21, 2017 /s/ PETER
S.
HO
Peter S. Ho
Chairman of
the Board and
Chief
Executive
Officer,
and President
of Bank of
Hawaii
Corporation

/s/ DEAN
Y.
SHIGEMURA
Dean Y.
Shigemura
Senior
Executive Vice
President and
Chief Financial
Officer of
Bank of
Hawaii
Corporation

/s/ BRENT
T.
FLYGAR
Brent T. Flygar
Senior Vice
President and
Controller
of Bank of
Hawaii
Corporation

FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE

Bank of Hawaii Retirement Savings Plan
Years Ended December 31, 2016 and 2015
With Report of Independent Registered
Public Accounting Firm

Bank of Hawaii Retirement Savings Plan

Financial Statements
and Supplemental Schedule

Years Ended December 31, 2016 and 2015

Contents

Report of Independent Registered Public Accounting Firm	1
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Audited Financial Statements:

Statements of Net Assets Available for Benefits	2
Statements of Changes in Net Assets Available for Benefits	3
Notes to Financial Statements	4

Supplemental Schedule:

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)	12
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Report of Independent Registered Public Accounting Firm

The Audit & Risk Committee

Bank of Hawaii Retirement Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Bank of Hawaii Retirement Savings Plan (the "Plan") as of December 31, 2016 and 2015, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2016 and 2015, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2016 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The information in the supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Ernst & Young LLP

Honolulu, Hawaii

June 21, 2017

Bank of Hawaii Retirement Savings Plan

Statements of Net Assets Available for Benefits

	December 31,	
	2016	2015
	(In Thousands)	
Assets		
Investments, at fair value	\$519,863	\$485,718
Receivables:		
Employer contribution	6,002	5,604
Notes receivable from participants	5,770	5,938
Total receivables	11,772	11,542
Net assets available for benefits	\$531,635	\$497,260

See accompanying notes.

Bank of Hawaii Retirement Savings Plan

Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31,	
	2016	2015
	(In Thousands)	
Additions		
Investment income:		
Interest and dividend income	\$ 13,550	\$ 19,300
Net appreciation (depreciation) in fair value of investments	37,431	(16,993)
	50,981	2,307
Interest income on notes receivable from participants	249	257
Contributions:		
Participants	10,725	10,490
Employer	10,464	9,990
Participant rollovers	294	656
	21,483	21,136
Total additions	72,713	23,700
Deductions		
Benefit payments	(38,022)	(35,812)
Administrative expenses	(316)	(167)
Total deductions	(38,338)	(35,979)
Net increase (decrease)	34,375	(12,279)
Net assets available for benefits:		
Net assets available for benefits at beginning of year	497,260	509,539
Net assets available for benefits at end of year	\$ 531,635	\$ 497,260

See accompanying notes.

Bank of Hawaii Retirement Savings Plan

Notes to Financial Statements

December 31, 2016 and 2015

1. Description of the Plan

The following description of the Bank of Hawaii Retirement Savings Plan (the “Plan”) provides only general information about the Plan’s provisions. Participants should refer to the Plan Document for a more complete description of the Plan’s provisions.

General

The Plan is a defined contribution plan for employees of Bank of Hawaii Corporation, and certain of its subsidiaries (collectively, the “Company”) who have at least 60 days of service. In addition, the Company provides matching contributions after completion of 12 months of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Bank of Hawaii (the “Bank” or the “Plan Administrator”), a subsidiary of the Company is the Plan administrator and plan sponsor. All assets of the Plan are held in trust by Vanguard Fiduciary Trust Company (“Vanguard”), as trustee, and all benefits are provided by such trust.

Contributions

Participating employees are allowed to contribute up to 50% of their eligible compensation (within federal limits) to the Plan. The Company makes matching contributions on behalf of participants equal to \$1.25 for each \$1.00 contributed by participants, up to 2% of the participants’ eligible compensation, and \$0.50 for every \$1.00 contributed by participants over 2%, up to 5% of the participants’ eligible compensation. A 3% fixed contribution and a discretionary value-sharing contribution, that is linked to the Company’s financial goals, are made regardless of whether the participating employee contributes to the Plan and are invested in accordance with the participant’s selection of investment options available under the Plan. Value-sharing contributions for the years ended December 31, 2016 and 2015 were approximately \$2,300,000 and \$2,000,000, respectively. Total employer and employee contributions are limited to certain maximum annual amounts, including those imposed under the Internal Revenue Code.

Participants direct their elective contributions into various investment options offered by the Plan and can change their investment options. The Company’s contributions are also invested as directed by the participants.

Participant Accounts

Each participant’s account is credited with the participant’s contributions and the Company’s matching contributions and allocation of Plan earnings, and is charged with an allocation of administrative expenses. Plan earnings are allocated based on the participant’s share of net earnings or losses of their respective elected investment options. Allocations of administrative expenses are based on the participant’s account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Vesting

Under current Plan provisions, participants are immediately vested in their accounts.

Bank of Hawaii Retirement Savings Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Forfeitures

Benefit payments, issued to participants by check, that are outstanding for more than 90 days are deemed to be forfeited and are moved into a forfeiture account. Forfeited amounts that are not used to restore amounts previously forfeited may be credited against employer contributions required for the calendar year. During the year ended December 31, 2016 and 2015, the forfeiture balances credited against employer contributions required for the plan year were approximately \$26,000 and \$11,000, respectively. As of December 31, 2016 and 2015, the cumulative forfeited vested amount to be used for future employer contributions were approximately \$6 and \$12,000, respectively.

Participant Loans

Participants are allowed to borrow a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of the current value of their account balance. Loan terms do not exceed five years unless the loan is used for the purchase of a primary residence. The loans are secured by the balance in the participant's account and are made at a reasonable rate of interest. Principal and interest is repaid ratably into the participant's account through payroll deductions. No loans secured by Bank of Hawaii Corporation common stock are permitted.

Benefit Payments

A participant is entitled to allocations of the Company's fixed and value-sharing contributions for the calendar year in which the participant terminated employment due to retirement, disability or death. For termination of employment prior to retirement (normal and early), disability or death, the participant's vested account will be distributed as soon as practicable. For all accounts under the Plan that exceed \$5,000, a distribution can only be made if the participant consents in writing to such a distribution. For the money purchase accounts, participants are entitled to receive the vested portion of their account in the form of a joint and survivor or life annuity or may elect to receive distribution in the form of a single lump sum payment. In case of death, beneficiaries may elect to receive distributions as a lump sum or as an annuity contract. Participants may also elect to defer distributions.

Benefits Payable

There were no benefits approved but not yet paid as of December 31, 2016 and 2015.

Administrative Expenses

Fees paid to the Plan's trustee and other administrative expenses incurred in connection with the operation of the Plan are paid by the Company. Administrative expenses, including managed account fees, loan processing fees, and consulting fees and other expenses relating to purchases, sales, or transfers of the Plan's investments are paid by the Plan.

Plan Termination

In the event that the Board of Directors of the Bank terminates the Plan, each member's interest in the Plan will remain fully vested and non-forfeitable. The Board of Directors may require all participants and beneficiaries to withdraw such amounts in cash, in kind, in any other form or any combination thereof, as it may determine in its sole discretion.

Bank of Hawaii Retirement Savings Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies

Basis of Accounting

The accounting records of the Plan are maintained on the accrual basis.

Payment of Benefits

Benefits are recorded when approved.

Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed as incurred. No allowance for credit losses has been recorded as of December 31, 2016 or 2015. If a participant ceases to make loan repayments and the Plan Administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Investments

Investments are stated at fair value. Shares of mutual funds are valued at quoted market prices. The units of the collective trust fund are valued at the net asset value ("NAV") established by the fund's sponsor on the last business day of the plan year based on the fair value of the underlying assets. Shares of Bank of Hawaii Corporation stock are valued at the quoted market price at year-end.

The Vanguard Retirement Savings Trust III is a collective trust that invests primarily in synthetic investment contracts backed by high-credit-quality fixed income investments and traditional investments issued by insurance companies and commercial banks.

The Vanguard Retirement Savings Trust III seeks to provide current and stable income while maintaining a stable share value of \$1 per share. The fund seeks to achieve its objective by diversifying among high-credit-quality investments and investment contracts that are structured to smooth market gains and losses over time. The balance in the collective trust fund can be transferred into a stock fund, a balanced fund, or a bond fund with an average duration of more than four years as often as the participant chooses; however, it must remain there for 90 days before transferring it into a short-term bond or money market fund.

Bank of Hawaii Retirement Savings Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

The net realized gain or loss on investments sold during the year and the unrealized gain or loss on investments held at year-end are reflected in the statements of changes in net assets available for benefits as net appreciation (depreciation) in fair value of investments. The net realized gains and losses on investments sold is computed using the average cost method.

Bank of Hawaii Retirement Savings Plan

Notes to Financial Statements (continued)

3. Fair Value Measurements

Fair value measurements apply whenever GAAP requires or permits assets or liabilities to be measured at fair value either on a recurring or nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or most advantageous market for an asset in an orderly transaction between market participants at the measurement date. Fair value is based on the assumptions that management believes market participants would use when pricing an asset or liability.

Fair value measurement and disclosure guidance established a three-level fair value hierarchy that prioritizes the use of inputs used in valuation methodologies. Management maximizes the use of observable inputs and minimizes the use of unobservable inputs when determining fair value measurements. Management reviews and updates the fair value hierarchy classifications of the Company's assets on a quarterly basis. The three-level fair value hierarchy is as follows:

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

Level 2: Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; or inputs that utilize model-based techniques for which all significant assumptions are observable in the market.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement; utilize model-based techniques for which significant assumptions are not observable in the market; or require significant management judgment or estimation, some of which may be internally developed.

In determining fair value measurements, management assesses whether the volume and level of activity for an asset have significantly decreased. In such instances, management determines whether recent quoted prices are associated with illiquid or inactive markets. If management concludes that quoted prices are associated with illiquid or inactive markets, adjustments to the quoted prices may be necessary or management may conclude that a change in valuation technique or the use of multiple valuation techniques may be appropriate to estimate an asset's fair value.

The following describes the valuation techniques and inputs used for each major class of assets recorded at fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV. The mutual funds held by the Plan are deemed to be actively traded.

Common stock: Valued at the closing price reported on the New York Stock Exchange on which the individual security is traded.

Collective trust: Valued at the NAV of units held by the Plan at year-end. The NAV, as provided by the issuer of the fund, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.

Bank of Hawaii Retirement Savings Plan

Notes to Financial Statements (continued)

3. Fair Value Measurements (continued)

The following tables set forth, by level within the fair value hierarchy, the Plan's assets at fair value:

Assets Measured at Fair Value as of December 31, 2016:

(Dollars in Thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 412,522	\$	—	\$	—\$412,522
Common stock	47,791	—	—	—	47,791
	\$ 460,313	\$	—	\$	—460,313
Collective trust valued at NAV					59,550
Total assets at fair value					\$519,863

Assets Measured at Fair Value as of December 31, 2015:

(Dollars in Thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 389,667	\$	—	\$	—\$389,667
Common stock	37,411	—	—	—	37,411
	\$ 427,078	\$	—	\$	—427,078
Collective trust valued at NAV					58,640
Total assets at fair value					\$485,718

Bank of Hawaii Retirement Savings Plan

Notes to Financial Statements (continued)

4. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market volatility and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the accompanying statements of net assets available for benefits.

5. Transactions and Agreements With Parties-in-Interest

Plan investments include shares of mutual funds and a collective trust fund managed by Vanguard, the trustee and recordkeeper of the Plan. Accordingly, transactions involving shares of such mutual funds and collective trust fund are considered party-in-interest transactions.

The Plan's investments also include shares of common stock of the Company. Transactions in shares of Bank of Hawaii Corporation common stock qualify as party-in-interest transactions under the provisions of ERISA. During the years ended December 31, 2016 and 2015, the Plan made purchases of \$1,358,000 and \$1,221,000, respectively, and sales of \$6,412,000 and \$7,222,000, respectively, of Bank of Hawaii Corporation common stock on behalf of its participants. At December 31, 2016 and 2015, the Plan held 538,855 and 594,771 shares of Bank of Hawaii Corporation common stock, respectively, representing 9% and 7%, respectively, of the total net assets of the Plan.

6. Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated September 18, 2013, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The determination letter from the Internal Revenue Service (the "IRS") was requested on January 31, 2011. Subsequent to this request, the Plan Sponsor executed Amendment 2011-1. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and therefore believes the Plan is qualified and the related trust is tax-exempt. Subsequent to the receipt of the 2013 determination letter by the IRS, the Plan was restated on January 1, 2016. The restated Plan document was submitted to the Internal Revenue Service on January 29, 2016 and an updated determination letter regarding the Plan's tax qualification was requested. As of the date of this report, the issuance of the updated determination letter is pending with the Internal Revenue Service. Subsequent to this request, the Plan Sponsor executed Amendment 2016-1.

Accounting principles generally accepted in the United States require Plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits to be sustained upon examination by the IRS. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2016, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2013.

Bank of Hawaii Retirement Savings Plan

Notes to Financial Statements (continued)

7. Reconciliation of Financial Statements to Draft Form 5500

The following is a reconciliation of the statement of net assets available for benefits at December 31, 2016 and 2015 and the statement of changes in net assets available for benefits for the years ended December 31, 2016 and 2015 to the draft Form 5500 (in thousands):

	December 31,	
	2016	2015
Net assets available for benefits per the financial statements	\$ 531,635	\$ 497,260
Adjustment from deemed distribution	(6)	(6)
Net assets available for benefits per the draft Form 5500	\$ 531,629	\$ 497,254
	Year Ended	
	December 31,	
	2016	2015
Net increase (decrease) in net assets available for benefits per the financial statements	\$ 34,375	\$ (12,279)
Adjustment from deemed distribution	—	2
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	—	(1,885)
Total net gain (loss) per the draft Form 5500	\$ 34,375	\$ (14,162)

Supplemental Schedule

Bank of Hawaii Retirement Savings Plan

EIN #99-0033900 Plan #002

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)
(Dollars in Thousands)

December 31, 2016

Description	Number of Shares/ Units	Current Cost	Value
Mutual funds			
Vanguard Emerging Market Stock Index Fund	295,947	*	\$ 6,700
Vanguard Explorer Admiral Fund	36,361	*	2,923
Vanguard Federal Money Market Fund	145,981	*	146
Vanguard High-Yield Corporate Fund	1,140,000	*	6,646
Vanguard Institutional Index Institutional Fund	435,862	*	88,842
Vanguard Institutional Target Retirement 2010 Fund	98,279	*	1,986
Vanguard Institutional Target Retirement 2015 Fund	534,894	*	10,778
Vanguard Institutional Target Retirement 2020 Fund	810,175	*	16,317
Vanguard Institutional Target Retirement 2025 Fund	1,136,250	*	22,850
Vanguard Institutional Target Retirement 2030 Fund	660,108	*	13,235
Vanguard Institutional Target Retirement 2035 Fund	879,318	*	17,586
Vanguard Institutional Target Retirement 2040 Fund	373,125	*	7,440
Vanguard Institutional Target Retirement 2045 Fund	338,088	*	6,752
Vanguard Institutional Target Retirement 2050 Fund	160,564	*	3,208
Vanguard Institutional Target Retirement 2055 Fund	73,851	*	1,478
Vanguard Institutional Target Retirement 2060 Fund	45,507	*	910
Vanguard Institutional Target Retirement Income Fund	125,709	*	2,543
Vanguard International Growth Fund	360,806	*	24,293
Vanguard Mid-Cap Growth Fund	152,129	*	3,408
Vanguard Mid-Cap Index Fund	408,944	*	14,718
Vanguard Selected Value Fund	112,824	*	3,247
Vanguard Short-Term Index Fund	856,836	*	9,159
Vanguard Small-Cap Index Fund	169,157	*	10,449
Vanguard Total Bond Market Index Fund	1,716,767	*	18,284
Vanguard U.S. Growth Fund	132,510	*	9,987
Vanguard Wellington Admiral Fund	957,572	*	64,588
Vanguard Windsor Fund	636,176	*	44,049
Total mutual funds			412,522

All investments are with parties-in-interest to the Plan.

*Participant-directed investment; the disclosure of cost is not required.

Continued on following page

Bank of Hawaii Retirement Savings Plan

EIN #99-0033900 Plan #002

Schedule H, Line 4i – Schedule of Assets (Held at End of Year) (continued)
(Dollars in Thousands)

December 31, 2016

Description	Number of Shares/ Units	Current Cost	Value
Collective Trust			
Vanguard Retirement Savings Trust III	59,549,800	*	\$59,550
Common Stock			
Bank of Hawaii common stock	538,855	*	47,791
Notes Receivable from Participants			
Notes receivable from participants - interest rates ranging from 4.25% to 7.25%			5,770
			\$525,633

All investments are with parties-in-interest to the Plan.

* Participant-directed investment; the disclosure of cost is not required.