

SHINHAN FINANCIAL GROUP CO LTD
Form 6-K
February 21, 2018
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the Month of February 2018

SHINHAN FINANCIAL GROUP CO., LTD.

(Translation of registrant's name into English)

20, Sejong-daero 9-gil, Jung-gu, Seoul 04513, Korea

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will
file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in
paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No _____

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- n/a .

Convocation Notice of the 17th Annual General Meeting of Shareholders

Table of Contents

Letter from the Board

Convocation Notice of the 17th Annual General Meeting of Shareholders

Meeting Agendas

Agenda Item No. 1 Approval of Financial Statements

(Including Statements of Appropriation of retained earnings)

Agenda Item No. 2 Appointment of Directors

(7 Outside Directors)

Agenda Item No. 2-1 Outside Director Candidate : Mr. Kim Hwa-nam

Agenda Item No. 2-2 Outside Director Candidate : Mr. Park Byoung-dae

Agenda Item No. 2-3 Outside Director Candidate : Mr. Park Cheul

Agenda Item No. 2-4 Outside Director Candidate : Mr. Lee Steven Sung-ryang

Agenda Item No. 2-5 Outside Director Candidate : Mr. Choi Kyong-rok

Agenda Item No. 2-6 Outside Director Candidate : Mr. Philippe Avril

Agenda Item No. 2-7 Outside Director Candidate : Mr. Yuki Hirakawa

Agenda Item No. 3 Appointment of Outside Director who will serve as Audit Committee Member

- Outside Director Candidate : Mr. Lee Manwoo

Agenda Item No. 4 Appointment of Audit Committee Member(3 members)

Agenda Item No. 4-1 Audit Committee Member Candidate : Mr. Park Byoung-dae

Agenda Item No. 4-2 Audit Committee Member Candidate : Mr. Lee Steven Sung-ryang

Agenda Item No. 4-3 Audit Committee Member Candidate : Mr. Joo Jaeseong

Agenda Item No. 5 Approval of the Maximum Limit on Director Remuneration

Additional Information

I. Number and Classification of Voting Shares

II. Method of Resolutions

III. Members of the Board of Directors after the 17th Annual General Meeting of Shareholders

IV. Corporate Governance Overview

V. Board and Committee Structure

VI. Related Party Transactions

Appendix A – Financial Statements for FY 2017

Letter to the Shareholders

Shinhan Financial Group

20, Sejong-daero 9-gil, Jung-gu,

Seoul 04513, Korea

February 21, 2018

Dear Shareholders,

Thank you for your continued investment in Shinhan Financial Group. On behalf of our Board of Directors, I would like to invite you to attend our upcoming Annual General Meeting (“AGM”) on Thursday March 22nd Auditorium, 20th floor, Shinhan Bank, 20, Sejong-daero 9-gil, Jung-gu, Seoul 04513, Korea. The AGM offers a valuable opportunity for you to meet the members of our Board and senior management and to ask questions on the operation, management and other issues relating to the Group. Your participation is highly valued by our Board and management, and your exercising the right to vote is important to our Company.

The items of business to be considered at the AGM are described in detail in the notice of the AGM which follows this letter. Your participation at the AGM is very important and you can exercise your right to vote whether you choose to attend the meeting or not.

The Board believes sound corporate governance is crucial to our development in the long term and aspires to a high standard of governance. The Company adopts a transparent and robust nomination process, that allows us to evaluate directors per a set of qualitative and quantitative factors so as to select a Board of Directors to the greatest benefit of our shareholders. Through this process, we have identified Messrs. Kim Hwa-nam, Park Byoung-dae and Choi Kyong-rok as outside director nominees who will replace Messrs. Lee Sang-kyung, Lee Jung-il and Lee Heun-ya as directors. Details on the background of these directors as well as other directors standing for reelection can be found in this circular. Additionally, we have provided in this circular background information to all the other, resolutions to be proposed at the AGM including explanatory statement for relevant proposals, and information on voting and other issues relating to the AGM, so that shareholders have a better understanding of their rights and can make an informed decision.

The Board considers that all resolutions proposed for consideration and approval by the shareholders at the AGM are in the best interests of the Company and its shareholders as a whole. Accordingly, the Board recommends the shareholders to vote in favour of the proposed resolutions.

We look forward to seeing you and answering your questions at the AGM.

Yours faithfully,

On behalf of the Board

Cho Yong-byoung

Chairman & CEO of Shinhan Financial Group

Convocation Notice of the 17th Annual General Meeting of Shareholders

Notice is hereby given that the 17th Annual General Meeting of Shareholders of Shinhan Financial Group will be held as described hereunder and your attendance is cordially requested.

Meeting Description

1. Date and Time: March 22, 2018 10 A.M. in Seoul time.
2. Place: Auditorium, 20th floor, Shinhan Bank, 20, Sejong-daero 9-gil, Jung-gu, Seoul 04513, Korea

Agendas to be voted on:

- 1) Approval of Financial Statements (Including Statements of Appropriation of Retained Earnings) for fiscal year 2017 (January 1, 2017 ~ December 31, 2017)
 - 2) Appointment of Directors (7 Outside Directors)
 - 2-1) Outside Director Candidate : Mr. Kim Hwa-nam
 - 2-2) Outside Director Candidate : Mr. Park Byoung-dae
 - 2-3) Outside Director Candidate : Mr. Park Cheul
 - 2-4) Outside Director Candidate : Mr. Lee Steven Sung-ryang
 - 2-5) Outside Director Candidate : Mr. Choi Kyong-rok
 - 2-6) Outside Director Candidate : Mr. Philippe Avril
 - 2-7) Outside Director Candidate : Mr. Yuki Hirakawa
 - 3) Appointment of Outside Director who will serve as Audit Committee Member
- Outside Director Candidate : Mr. Lee Manwoo
 - 4) Appointment of Audit Committee Member (3 members)
 - 4-1) Audit Committee Member Candidate : Mr. Park Byoung-dae
 - 4-2) Audit Committee Member Candidate : Mr. Lee Steven Sung-ryang
 - 4-3) Audit Committee Member Candidate : Mr. Joo Jaeseong
 - 5) Approval of the Maximum Limit on Director Remuneration
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Meeting Agendas

Agenda Item No. 1 Approval of Financial Statements

(Separate Financial Statements & Consolidated Financial Statements for fiscal year 2017 (January 1, 2017 ~ December 31, 2017), Including Statements of Appropriation of Retained Earnings)

Voting Item(s)

Pursuant to Article 449 of the Commercial Act, we seek shareholders' approval during the Annual General Meeting of Shareholders on the Company's separate financial statements and consolidated financial statements for fiscal year 2017.

Business Results for FY 2017 (stand-alone or separate basis)

Shinhan Financial Group is a financial holding company established in accordance with the Financial Holding Company Acts and engages in the primary business of 1) controlling or managing companies that either provide financial services or are closely related to financial business through ownership of shares, 2) investing in or providing financial support to subsidiaries and to raise capital necessary for financial support, and 3) supporting the business of subsidiaries for joint development, marketing of new products and joint utilization of facilities and ICT systems and etc.

As of December 31, 2017, Shinhan Financial Group consists of 14 direct subsidiaries that include Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance and Shinhan BNP Paribas Asset Management, and 25 indirect subsidiaries.

During the fiscal year of 2017, Shinhan Financial Group received annual dividend for FY 2016 from its subsidiaries that amounts KRW 930.1 billion in total. In addition, as the owner of 'Shinhan' brand trademark, Shinhan Financial Group received brand fees from users of our brand and recognized brand fee income of total KRW 46.7 billion in 2017.

Business Results of FY 2017 (consolidated basis)

For the fiscal year 2017, Shinhan Financial Group recorded KRW 2,917.7 billion of consolidated net income attributable to equity shareholders.

Group net income increased by 5.2% year-on-year attributed to increase in earnings from non-bank subsidiaries includes Shinhan Card, Shinhan Investment Corp. and Shinhan Capital.

Interest income increased by 8.8% year-on-year attributed to resilient loan growth coupled with continuing margin improvement. Non-interest income decreased by 14.9% year-on-year due to decreased non-recurring sales gains from securities disposal and absence of one-off derivative gains in 1H16. However general fee income increased by 9.3% year-on-year.

Group's accumulated provision for credit losses decreased by 53.3% year-on-year to KRW 544.3 billion, mainly due to write-backs from Shinhan Card. However, even after excluding one-offs, Group recurring credit costs has consistently enter into improving trajectory attributed to consistent credit risk management and disciplined credit appetite.

(Subsidiaries Income Reflecting SFG Ownership, in KRW bil.)	FY 2017	FY 2016	YoY%
Bank (a)	1,728.3	1,957.6	-11.7
Shinhan Bank	1,711.0	1,940.3	-11.8
Jeju Bank	17.3	17.3	-0.1
Non-Bank (b)	1,371.0	1,045.7	31.1
Shinhan Card	913.8	715.9	27.6
Shinhan Investment Corp.	211.9	115.4	83.6
Shinhan Life Insurance	120.6	150.6	-19.9
Shinhan BNPP AM	12.8	9.3	37.8
Shinhan Capital	87.6	33.9	158.8
Shinhan Savings Bank	16.8	12.5	34.3
Shinhan Data System	1.4	1.2	18.4
Shinhan AITAS	6.5	7.6	-15.1
Shinhan Credit Information	0.3	-1.2	n.a.
Shinhan Alternative Investment Management	-0.8	0.5	n.a.
SFG (a+b)	3,099.3	3,003.3	3.2
Consolidate Net Income	2,917.7	2,774.8	5.2

The net income contribution from non-bank subsidiaries in 2017 increased up to 44% from 35% in 2016.

Net profits reported by	Net Income Contribution
Shinhan Bank	56%
Shinhan Card	29%
Shinhan Investment Corp.	7%
Shinhan Life Insurance	4%
Other Subsidiaries	4%

Dividend Distribution

We have been making efforts to increase shareholder value through consistent and sustainable shareholder return policy and in connection with these efforts, the BOD has proposed KRW 1,450 dividend per common share for FY2017 which is same amount from the previous year and the total dividend amount is KRW 688 bil. (payout ratio : FY2016 24.8% FY2017 23.6%)

Dividend for Common Stocks	FY2017	FY2016	FY2015	FY2014
Dividend per Share	KRW 1,450	KRW 1,450	KRW 1,200	KRW 950
Total Amount of Dividend	KRW 688 bil.	KRW 688 bil.	KRW 569 bil.	KRW 450 bil.
Dividend Payout Ratio	23.6%	24.8%	24.0%	21.6%
Dividend Yield (Based on the Korea Exchange)	2.9%	3.1%	2.9%	2.0%

- Please refer to Appendix A for the separate financial statements and Consolidate financial statements of Shinhan Financial Group. For more detailed information of notes to financial statements, please refer to the audit report through a 6-K filing disclosure provisionally scheduled to be released on 7 March, 2018, allowing shareholders to view the financial statements at least two weeks to review prior to the Annual General Meeting.

Agenda Item No. 2 Appointment of Directors (7 Outside Directors)

Voting Item(s)

Pursuant to Article 382 of the Commercial Act and Article 37 of the Company's Articles of Incorporation, we seek shareholders' approval during the Annual General Meeting of Shareholders on the appointment of directors.

At the 17th Annual General Meeting of Shareholders, the following 7 directors (7 Outside Directors) will seek the approval of appointment from shareholders.

- ▲Agenda Item No. 2-1 Outside Director Candidate : Mr. Kim Hwa-nam
- ▲Agenda Item No. 2-2 Outside Director Candidate : Mr. Park Byoung-dae
- ▲Agenda Item No. 2-3 Outside Director Candidate : Mr. Park Cheul
- ▲Agenda Item No. 2-4 Outside Director Candidate : Mr. Lee Steven Sung-ryang
- ▲Agenda Item No. 2-5 Outside Director Candidate : Mr. Choi Kyong-rok
- ▲Agenda Item No. 2-6 Outside Director Candidate : Mr. Philippe Avril
- ▲Agenda Item No. 2-7 Outside Director Candidate : Mr. Yuki Hirakawa

Overview

The Board of Directors is currently composed of 12 directors, 1 executive director and 1 non-executive director and 10 outside directors. The terms of 7 outside directors (Messrs. Park Cheul, Lee Sang-kyung, Lee Steven Sung-ryang, Lee Jung-il, Lee Heun-ya, Philippe Avril and Yuki Hirakawa) will be completed in March 2018 on the date of the Annual General Meeting of Shareholders.

In keeping with best practice the Company has established the Corporate Governance and CEO Recommendation committee, the Board Steering Committee and the Outside Director Recommendations committee under the Board of Directors who recommend, executive directors, non-executive directors and outside directors for the company respectively. In particular, the Outside Director Recommendations Committee is a committee under the Board of Directors and assesses the independence and ability of potential candidates for outside directors and recommends relevant candidates to the Board of Directors.

Committee	Members
Corporate Governance and	Chair: Lee Sang-kyung (o)
CEO Recommendation Committee	Members: : Lee Steven Sung-ryang (o), Yuki Hirakawa (o), Philippe Avril(o), Lee Jung-il (o), Cho Yong-byoung Chair: Cho Yong-byoung
Board Steering Committee	Members: Park Cheul(o), Lee Manwoo(o), Lee Heun-ya(o), Joo Jaeseong(o)
Outside Director Recommendation Committee	Chair: Park Cheul(o)

Members: Park Ansoon(o), Lee Sang-kyung (o), Lee Heun-ya(o), Cho
Yong-byoung

(o) Indicates outside directors

Director Recommendations

The Outside Director Recommendation Committee under the Board of Directors recommended 7 outside directors, of which 7 directors, Messrs. Park Cheul, Lee Steven Sung-ryang, Philippe Avril and Yuki Hirakawa are to renew their terms.

Messrs. Lee Sang-kyung and Lee Jung-il are completing their term limit of six years, which is stated in "Article 6, Act on Corporate Governance of Financial Companies," and Mr. Lee Heun-ya revealed his intention not to renew his directorship upon the completion of his term. Messrs. Kim Hwa-nam, Park Byoung-dae and Choi Kyong-rok have been newly nominated and recommended as outside directors. On February 21, 2017, the Board of Directors endorsed the nominees selected by the Outside Director Recommendation Committee.

When considering independence, the committee calculates the length of service of an Outside Director by reference to the date of his or her election by shareholders following their appointment. The committee has determined that there are no relationships or circumstances which are likely to affect an Outside Director's judgement and any relationships or circumstances which could appear to do so are not considered to be material. Each of the Directors standing for election or re-election has confirmed that they have no material relationship with another Director, member of senior management or any substantial or controlling shareholder of the Company. The committee, both prior to appointment and when nominating for re-election, enquires, and obtains assurance, that each Director is, or will be capable of, contributing the time both expected of them and unanticipated, should additional demands be placed on them. The committee has considered carefully the number of directorships held by Directors and has applied the same standard of enquiry for each of them. It is satisfied that all Directors, including Directors holding a greater number of appointments, have sufficient capacity to meet their commitments to the Company. Individual performance evaluations and assessment of contributions to Board discussion have confirmed that all of the Directors are performing effectively and demonstrate commitment to their roles. It is therefore the belief of the committee and the board that each of the Outside Directors is fully able to discharge his or her duties.

In addition to reviewing the candidates and their background individually, the committee also reviews the candidates in the context of the skills, expertise and background represented by other members of the Board of Directors. As such, the committee believes that collectively, the Board of Directors (including the outside director nominees) bring complimentary expertise and skills that are well aligned with requirements based on Company growth aspirations and strategy.

Accordingly, the Board of Directors recommends a vote "FOR" the election of the aforementioned candidates;

Members of the Board of Directors after the 17th AGM

Name	Director	Classification	Gender	Date of Birth
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