



(Translation)

**Winbond Electronics Corporation (the "Company")  
Procedures for Governing Loaning of Funds**

**I. PURPOSE**

To soundly manage the Company's fund loaning and to reduce the risk in management, the Company enacts these Procedures.

**II. OBJECTIVE**

Loans to others by the Company shall be processed in accordance with these Procedures. Any matter not provided in these Procedures shall be processed in accordance with relevant laws and regulations so as to effectively manage matters concerning loans to others in line with the principles of steady and solid management of the Company.

**III. CONTENTS**

**Article 1: Object of Fund Loaning**

- (1) The Company shall not grant loans to any shareholder or anyone except for the following:
  1. Companies which have business dealings with the Company, to the extent that the loan is for their working capital needs only; and
  2. Companies having short-term financing needs in which the Company holds, whether directly or indirectly, fifty percent or more of the voting shares.
- (2) The restriction set out in Paragraphs 1 and 2 of Article 2 and Article 4 hereof may not apply to the intercompany loans between foreign companies in which the Company holds, whether directly or indirectly, 100% of the voting shares, or the intercompany loans granted by foreign companies in which the Company holds, whether directly or indirectly, 100% of the voting shares, to the Company; provided, however, that the Company shall prescribe the aggregate maximum loan amount that the Company can provide and the maximum loan amount permitted to be given to a single borrower and specify the term of loan in these Procedures according to the Regulations Governing Loans and Endorsements /Guarantees by Public Companies promulgated by the securities authority.

**Article 2: Maximum Amount of Loans Granted to Other Parties**

- (1) The aggregate maximum loan amount granted to others may not exceed twenty percent of the net worth of the Company shown on its latest financial report.
- (2) The Restriction Amount for Each Borrower

The aggregate amount of loans granted to the same Borrower having business dealings with the Company and short-term financing needs shall not exceed the

Borrower's net worth shown on the Borrower's latest financial report or ten percent of the net worth of the Company shown on the Company's latest financial report, whichever is lower. Moreover, in the event of aforementioned loans for business dealings with the Company, the amount of each individual loan offered by the Company may not exceed the total business transaction amount within the latest year between the Borrower and the Company. The business transaction amount shall mean the amount of purchase or sale between the Company and Borrower, whichever is higher.

- (3) "Financing amount" used in this Article means the cumulative balance of the Company's short-term financing.
- (4) Where changes in circumstances in respect of the Company cause the entity to which the Company gives loans to cease to be an eligible entity under the Procedures or the loan balance exceeds the maximum loan amount, the Company shall draft an improvement plan, submit the same to the independent directors and the audit committee and complete the improvement on schedule.

### **Article 3: Operation Procedures of Fund Loaning and Review Process**

Before giving loans to others, the Company shall carefully evaluate whether it is in compliance with the Regulations Governing Loans and Providing Endorsements and/or Guarantees by Public Companies promulgated by Securities and Futures Commission and these Operating Procedures. The Company may make loans to others only after the results of evaluation have been submitted to and resolved upon by the Board of Directors. The Company shall not authorize any other person to make such decision. Where the independent directors have been in place, when making loans to others, the Company shall take into full consideration each independent director's opinions; the independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board meetings. The operating procedures for loaning of funds and review procedures are as follows:

- (1) When the Company handles the matters of fund loaning, the necessary financial information and guarantee shall be provided by the Borrower to the Finance Division of the Company in advance.
- (2) The Finance Division of the Company shall prepare a report specifically stating the borrower, reason, the necessity and reasonableness of loans to others, amount, term, interest rate, method of repayment, source of funds, collateral or other methods of guarantee and other necessary matters. The borrower's credit status and risk assessment and analysis of the impact of such fund loaning upon the Company's business operation, financial condition and shareholders' equity shall also be made by the Finance Division of the Company. Fund loaning shall be handled by the Finance Division after such report has been submitted to the chairman of the board of directors for their review and to the board of directors for approval.
- (3) The procedures of fund loaning will be processed by the Finance Division only after receiving the guarantee notes of the same amount or other collaterals as security for applying to the Company for fund loaning. Appraisal of the collateral shall be done carefully by the Finance Division.
- (4) The funds loaning between the Company and its subsidiaries shall be submitted to the Board of Directors for approval in accordance with this Article and the chairman

of the Board of Directors may be authorized to loan the funds in installments or revolving within a certain amount resolved by the Board of Directors and within one year with respect to the same persons to whom the funds are loaned. The authorized amount of the funds loaned to a single enterprise shall not exceed ten percent of the net worth of the Company shown on the Company's latest financial report.

Material fund loaning by the Company shall be approved by at least one half of all audit committee members and submitted to the Board of Directors for resolution. If approval of the majority of all audit committee members is not obtained, such fund loaning may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" in paragraph 3 and "all directors" in this paragraph shall be counted as the actual number of persons currently holding those positions.

#### **Article 4: The Term of Loan**

The term of loan shall not exceed one year.

#### **Article 5: The Method of Interest Calculation for Loaning of Funds**

The method of interest calculation for fund loaning shall be decided with reference to the interest rate of correspondent financial institutions of the Company and may be adjusted according to the cost of funds. The interest calculation shall be done once a month except that under special circumstances, adjustment may be made in according to the actual need after being approved by the board of directors.

#### **Article 6: The Follow-Up Control Measures and the Process of Overdue Loan**

- (1) The Company shall prepare a memorandum book for its fund loaning activities and truthfully record the following information: the borrower, amount, date of approval by the board of directors, date of loan, and matters to be carefully evaluated under Article 3.
- (2) The Finance Division shall be responsible for following and checking the financial conditions, business and related credit conditions of the Borrower and the guarantor and shall also pay attention to whether there is any change to the value of the collateral. If there is any significant change of circumstances, the Finance Division shall immediately report to the chairman of the board of directors and appropriate measures shall be taken in accordance with the instructions.
- (3) When making a repayment on or before the due date, the Borrower shall first  
Calculate the interest payable together with the principle. The Finance Division shall provide a report confirming that all amount of loan has been repaid and is approved by the chairman of the board of directors before return of collateral or guarantee to the Borrower.
- (4) The Borrower shall immediately repay all amount of interest and principle when due; otherwise, the Company may dispose the collateral and has a right of recovery to the guarantor.

#### **Article 7: Internal Audit**

The Company's internal auditors shall audit the operating procedures for lending to others

and the implementation thereof at least quarterly and prepare written records accordingly. The Company's internal auditors shall promptly notify the independent directors the audit committee in writing of any material violation found.

#### **Article 8: Procedure for announcement and report**

- (1) The Company shall announce and report the loan balances of the Company and its subsidiaries for the previous month by the tenth day of each month, or conduct the announcement and report in accordance with relevant regulations promulgated by the competent authority.
- (2) If the loan balance reaches any of the following thresholds, the Company shall announce and report within two days from the date of occurrence. The date of occurrence referred to above means the date of execution of the contract, date of payment, date of board resolutions, or other dates that may confirm the party to which the money is lent and loan amount, whichever date is earlier.
  - (i) The balances of the loans granted by the Company and its subsidiaries reaches twenty percent or more of the net worth of the Company as stated in its latest financial statement.
  - (ii) The balances of the loans granted by the Company and its subsidiaries made to a single entity reaches ten percent or more of the net worth of the Company as stated in its latest financial statement.
  - (iii) The amount of new loans granted by the Company or its subsidiaries reaches NTD 10 million and reaches two percent of the net worth of the Company as stated in its latest financial statement.
- (3) Where any subsidiary of the Company is not a domestic public offering company, the Company shall make the required announcement and report on behalf of such subsidiary if the situation prescribed in the preceding Item 3 occurs.
- (4) The Company shall evaluate the status of loans and make sufficient allowances for bad debts and shall properly disclose relevant information in its financial reports and provide the certified public accountants with the relevant information to conduct necessary audit procedures.
- (5) "Net worth" as set forth herein means parent company owner's equity on the balance sheet under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- (6) "Subsidiary" and "parent company" as set forth herein shall be determined per the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Article 9: Penalty for Violation of These Procedures by Managers or Personnel in Charge**

- (1) The responsible person of the Company who has violated Paragraph 1 of Article 3 of the Regulations Governing Loaning of Funds and Endorsements/Guarantees by Public Companies shall be liable, jointly and severally with the Borrower, for the repayment of the loan at issue in accordance with Paragraph 6 of the same article of the same regulations, and shall indemnify the Company for any damages suffered by the Company resulted therefrom.

- (2) In order to prevent managers or personnel in charge from taking advantage of their offices to engage in illegal loans, when managers or personnel in charge violate these Operating Procedures or the related laws and regulations, the Human Resource Department shall make a proposal for penalty to be approved by the responsible supervisor according to the seriousness of such violation based on the evidence provided by the division in charge or audit division. Penalty imposed on managers shall be submitted to the compensation committee and the board of directors for resolution. In the event of unrecoverable losses incurred from violation of these Procedures or the related laws and regulations by an employee with intent or by negligence, suspension may be imposed on personnel in charge after being approved by the responsible supervisor.

The aforementioned managers shall mean the ones set up in accordance with the ruling issued by the Securities and Futures Commission dated March 27, 2003 (Ref. No.: Tai-Tsai-Jen-(3)-0920001301) and the aforementioned personnel in charge shall mean personnel involved and relevant supervisors in charge of review and approval of execution.

#### **Article 10: Control procedure to subsidiaries in loaning funds to other parties**

The Company shall require all of its subsidiaries to formulate their own "Procedures for Loaning Funds to Other Parties" in accordance with the "Regulations Governing Loaning Funds and Providing Endorsement and Guarantee by Public Offering Companies" promulgated by the competent authorities and the "Procedures for Loaning Funds to Other Parties" of the Company. Any loan made by the subsidiaries shall comply with their own "Procedures for Loaning Funds to Other Parties", and the internal audit department of the Company shall be responsible for reviewing all self-assessment reports prepared by all subsidiaries.

#### **IV. THE EFFECTIVENESS AND AMENDMENT**

These Procedures shall be approved by at least one half of all the audit committee members and then submitted to the Board of Directors for resolution. After approved by the Board of Directors, these procedures shall be submitted to the shareholders' meeting for approval; where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the audit committee and for discussion by the shareholders' meeting. The same shall apply to any amendment to the Procedures. When the Operating Procedures of Fund Loaning are submitted by the Company to the Board of Directors for discussion in accordance with relevant rules, the Board of Directors shall take into full consideration each independent director's opinion; any dissent from or qualification by the independent directors (if any) shall be included in the minutes of the Board of Directors' meetings.

If approval of the majority of all audit committee members as required in the preceding paragraph is not obtained, these Procedures or amendments thereto may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" in paragraph 3 and "all directors" in this paragraph shall be counted as the actual number of persons currently holding those positions.

