

Realtek Semiconductor Corporation
Procedures for Lending Funds to Other Parties

Chapter 1 : General purposes

In order to comply with regulations with regards to the procedures of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, this loan procedure is therefore set up.

Chapter 2 : Contents

Article 1 Recipients of Loans

1. Other companies have business with the Company.
2. Other companies in need of short-term financing with the Company.
The so-called “short-term” means the period of one year or one operating cycle (whichever is the longest).

Article 2 Evaluation standards for loans to other parties

When The Company has business with other companies and requires to make the necessary loans to them, The Company shall follow Article 3.1.2 and only under the following conditions

1. Where short-term financing is needed for the business of the subsidiary.
2. Where short-term financing is needed for purchasing materials or for operational turnover by other companies or firms.
3. Loans to other companies are agreed by the board of director’s board after the discussion in the meeting of the board of director’s.

Article 3 Total amount of loans and the maximum amount of loans for individual recipients

1. The total amount of the loans to other companies may not exceed 40 percent of net worth.
2. The amount of loans shall not exceed the tractions between The Company and those companies having business with The Company. The amount of transaction is referred to as “the sales revenue or the amount spent on purchases of goods, whichever is higher”.
3. The accumulated amount of loans from The Company shall not exceed 40 percent of the latest reported net worth of the other company which will get loan from the Company. The loans made by The Company or subsidiary of The Company to individual company shall not exceed 40 percent of the latest reported net worth of The Company or subsidiary of The Company.

For those foreign companies that The Company has direct or indirect 100% of voting right on stock right, the loans are not limited to the clause of 1, 2, and 3 mentioned earlier. However, the accumulated amount of loans from The Company not exceeding 40 percent of The Company must still hold.

Article 4 Durations of loans and calculation of interests.

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1. In principle, each loan made by The Company shall not exceed one year. If The Company has direct or indirect 100% of voting right of the subsidiaries, the loans between the subsidiaries are not limited to the duration of one year. However, the following regulation set by financial security authority shall be obeyed. That is, “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”
2. The interest for the loan shall not be lower than the highest interest rate that The Company borrows money from financial institutions. The interest for the loan is calculated on a monthly basis.

Article 5 Procedures for making loans and auditing

1. Credit Investigation

When The Company makes a decision to give a loan, the finance department of The Company shall conduct an investigation on the parties regarding the borrowers' financial condition, borrowers' ability to pay back the loan, borrowers' ability to make a profit on its own business, and the purpose of the loan.

The assessments shall at least include the following:

- (1)The necessity and reasonableness to make a loan to other parties.
- (2)Borrower's credit status and risk assessment.
- (3)Impact on The Company's operation, financial condition, and shareholders' right.
- (4)Whether collaterals shall be obtained and its value be appraised for security.

2. Debt Preservation

When The Company makes a loan, except for those companies that The Company holds more than 50% of stock share directly or indirectly, it is required to get a promissory note worth of the same amount of the loan or to obtain collaterals, guarantors that are approved by The Company. Whenever it is necessary, tangible properties (movable properties) or real estate (immovable properties) shall be used as mortgaged assets. When the other companies themselves are the guarantors, The Company shall pay attention if the guarantee clause for the loan is included in the Memorandum of Association of the guarantors.

3. Ranges of Authorization

When The Company makes a loan, the financial department shall conduct credit assessment and submit reports to Audit Committee. The reports shall be approved by the executive board members. Authorizing other parties is prohibited.

The loans between The Company and subsidiary or the loans between subsidiaries shall follow the provisions of the preceding paragraph, report to audit committee, and get final approval from board of directors. Then, board of directors authorize Chairman of the board to allocate the authorized loan to the revolving credit line.

Article 6 Follow-up Controlling Measure and Procedure for Collecting Loans past due.

1. After the loan is allocated, the financial department shall keep monitoring the

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borrower's and the guarantor's financial status, business, and credit. If collaterals are provided, collateral's value shall be monitored closely. The financial department shall report Chairman of the board when the status of the collaterals changes and take appropriate actions per direction of Chairman of the board.

2. Before the loan is due or immediately before the loan is due, the financial department shall calculate interest accrued by the loan. After the loan and interest are paid off, The Company will return promissory note and collaterals to the borrower.
3. The borrower shall pay off the loan and interest together before the due day. If there is a need for the borrower to extend the loan duration, the application shall be made in advance and get approved by the audit committee and board of director's board. When there is a violation, The Company will pursue legal action to protect the right of The Company.

Article 7 Internal control

1. When The Company makes a loan, a memorandum book is required to prepare so that the recipient of the loan, the amount of the loan, the approval date by the board of directors, lending/borrowing date, and miscellaneous matters to be carefully evaluated and put them on the file for future audit.
2. The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the supervisors in writing of any material violation found. Shall there be any violation of laws or this regulation, discipline will be made depending on the degree of violation.
3. If, as a result of a change in circumstances, an entity for which a loan is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, The Company shall adopt rectification plans and submit the rectification plans to all the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

Article 8 Disclosure of financial statements, and announcement and report:

1. The Company shall announce the amount of funds lent to other parties by the Company and its subsidiaries in the preceding month, as well as the monthly turnover, before the 10th day of the month.
2. If the balance of the fund lent by The Company meets any of the following circumstances, it shall be announced and reported within two days commencing immediately from the date of occurrence of the fact:
 - (1) The balance of funds lent to other parties by the Company and its subsidiaries exceed more than 20% of the net worth of the Company specified in its latest financial statement.
 - (2) The balance of funds lent to any single enterprise by the Company and its subsidiaries exceed more than 10% of the net worth of the Company specified in its latest financial statement.
 - (3) The increase of funds lent by the Company or its subsidiaries reaches NT\$10 million or more, and is more than 2% of the net worth of the Company specified

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in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the item (3). The “date of occurrence of fact” noted in the preceding paragraph 2 refers to the date of signing, the date of payment, the resolution date of the board of directors, or other date on which the object and amount of the lending of capital are determined.

Chapter 3 : Miscellaneous

1. Where a subsidiary of The Company intends to make loans to others, The Company shall instruct the subsidiary to formulate its own Operational Procedures for Loaning Funds to Others in compliance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. Subsidiaries shall follow the regulations when lending the funds. The subsidiaries shall report the amount, counterpart and time limit of the lent funds to the parent company, The Company, before lending the funds. After the parent company, The Company, evaluates and approves the application, then the subsidiary can give loan to other parties.
2. The Company shall adhere to the generally accepted accounting principles to evaluate its loan status, make a sufficient provision against bad debts, disclose relevant information in its financial statements, and provide external auditors with necessary information for due auditing. Relevant rules and regulations of the Company and other relevant laws and regulations shall apply mutatis mutandis to matters not covered by the Procedures.
3. “Subsidiary” and “Parent company” shall be defined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. “Net Value” mentioned in the Procedure is defined as the balance sheet equity attributable to the holders of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Chapter 4

The effectiveness, revision, and resolution method of this regulation

This procedure shall become effective upon approval by Audit Committee and the Board of Directors and be reported to the shareholders meeting. Any amendment is subject to the same procedure.

The Procedure and corresponding regulation shall be approved by Audit Committee. The approval shall be more than half of members from Audit Committee. If fewer than half of members from Audit Committee approve this Procedure, two third of the Board of Directors shall approve this Procedure with written declaration in meeting of Board of Directors.

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Opinions from independent directors shall be thoroughly considered during discussion and their opposing opinions or reservations shall be recorded in meeting minutes. If any member of the independent Board of Directors objects to it with a record or written declaration, the Company shall present it to the meeting of shareholders for discussion.

The members of audit committee and members of board of directors refer to the current incumbent members.