

**Procedures for Lending Funds to Other Parties  
of  
Taiwan Semiconductor Manufacturing Company Limited  
(The “Company”)**

**Article 1**

The Company shall comply with the Procedures as set forth below when lending funds to other parties. Any other matters not set forth in the Procedures shall be governed by the applicable laws, rules, and regulations.

Where the Company’s financial reports are prepared in accordance with the International Financial Reporting Standards, “net worth” in the Procedures means the equity attributable to shareholders of the parent in the balance sheet.

**Article 2**

The party to whom the Company may lend its funds shall be limited to:

- (1) Companies having a business relationship with the Company; or
- (2) Companies in need of funds for a short-term period. For the purpose of the Procedures, “short-term period” shall mean one (1) year.

Fund-lending to companies having a business relationship with the Company shall be limited to said companies that need working capital. Fund-lending to companies which need funds for a short-term period shall be limited to subsidiaries in which the Company directly or indirectly holds more than fifty percent (50%) of the voting shares.

**Article 3**

The total amount available for lending purpose shall not exceed twenty percent (20%) of the net worth of the Company.

The lending limits for any borrower are set forth below:

1. The total amount for lending to a company having a business relationship with the Company shall not exceed the total transaction amount between the parties during the period of twelve (12) months prior to the time of lending (for purposes of the Procedures, the “transaction amount” shall mean the sales or purchasing amount

between the parties, whichever is higher), and shall not exceed ten percent (10%) of the net worth of the Company.

2. The total amount for lending to a company in need of funds for a short-term period shall not exceed ten percent (10%) of the net worth of the Company.

The total amount available to each borrower shall not be more than thirty percent (30%) of the borrower's net worth, provided that this restriction will not apply to subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company.

For fund-lending (for financing needs) between offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, or fund-lending to the Company by offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount for such fund-lending shall not be subject to the limit of twenty percent (20%) of the net worth of the lending subsidiary and the lending will not be subject to the restrictions under Article 4. However, these offshore subsidiaries shall stipulate the total limit of fund-lending as well as the fund-lending limit and tenor to each borrower in its lending procedures for such lending in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" announced by the securities regulatory authority.

#### **Article 4**

The term of each loan extended by the Company shall not exceed one (1) year. The interest rate shall be determined on the basis of the Company's funding costs and adjusted accordingly, but in no event shall it be lower than the Company's highest short-term bank borrowing rate at the time of lending. The interests shall be calculated on a monthly basis.

#### **Article 5**

Any borrower, when applying for a loan from the Company, shall submit an application or a letter describing in detail the loan amount requested, term, purpose and collateral, together with certain basic information and financial data, to the Company to facilitate the evaluation and credit checking.

Finance Division, based on the aforesaid information, shall then evaluate the necessity and reasonableness of the loan application, the creditworthiness and risk of the borrower, the impact towards the Company's operating risk, financial position and shareholders' equity, and the necessity to acquire collateral and appraisal of collateral.

## **Article 6**

Except for subsidiaries in which the Company directly or indirectly holds more than fifty percent (50%) of the voting shares, any other borrower shall provide a promissory note, collateral and/or other guarantee as requested by the Company in an amount equivalent to that of the loan when making an application in accordance with Article 5. If any collateral is provided, the legal procedures for mortgage and/or lien must be fulfilled to protect the Company's interest.

## **Article 7**

All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, not be less than the replacement cost of the collateral. The Company shall be named as the beneficiary of the insurance. The insured object, quantity, location and coverage conditions must be consistent with the collateral requirements of the Company.

## **Article 8**

After a loan is extended, Finance Division shall periodically evaluate the financials and creditworthiness of the borrower and guarantor (if any). In the event that a loan is over-due and not repaid even after the Company's repeated attempt to collect payment, Finance Division shall immediately notify Legal Division for further legal actions to protect the Company's interest.

## **Article 9**

Any lending of the Company's funds shall be evaluated and compliant with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" announced by the securities regulatory authority and the Procedures, and then submitted, together with the evaluation made as described in the second paragraph of Article 5, to the Board of Directors for its approval and no delegation of authority shall be made to any person in this regard. However, the material lending of funds shall be approved by the Audit and Risk Committee in accordance with relevant regulations and submitted to the Board of Directors for approval.

Fund-lending between the Company and its subsidiaries, or among the subsidiaries, shall be approved by the Board of Directors of the lending company, which Board may authorize its chairman to lend funds to said borrowers, within a certain pre-approved amount and a period not exceeding one year, in one or several drawdowns or via a revolving credit line. However, the above authorized lending amount to be approved by the Board shall not exceed 10% of the net worth of the lending company' based on its most recent audited financial statements.

#### **Article 10**

Should there be any fund-lending required to be reported to the regulatory authority or publicly disclosed, such report or public disclosure shall be made by the Company in accordance with the relevant regulations. For any reporting and public disclosure required for the Company's subsidiary which is not a domestic public company, the Company shall make such required reporting and public disclosure on behalf of the Company's subsidiary.

#### **Article 11**

The Company shall make sufficient provision based on the lending profile, adequately disclose information in the financial statements, and provide external auditors with necessary information for conducting due auditing.

#### **Article 12**

The Company shall establish and maintain a record book to record all its fund-lendings and related information in accordance with the relevant regulations.

#### **Article 13**

Internal auditors shall perform auditing on the Company's lending profile and produce written auditing reports on a quarterly basis. A written report of any material violation must be submitted to notify the Audit and Risk Committee.

#### **Article 14**

Should a borrower no longer meet the criteria set forth in the relevant regulations and/or these Procedures or should there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan must be provided to the Audit and Risk Committee and the proposed correction actions shall be implemented within the period specified in such plan.

#### **Article 15**

For the Company's subsidiary contemplating fund-lending to other parties, the Company shall mandate such subsidiary to establish relevant procedures for such fund-lending. Such procedures shall be approved by the Audit Committee and/or Board of Directors and/or Shareholders' Meeting of the subsidiary, and become effective thereafter. The Company shall also mandate the subsidiary to handle fund-lending in accordance with its procedures.

When fund-lending to other parties is contemplated by the subsidiary of the Company, a credit assessment report and comments, together with the proposed terms and conditions of lending, shall be submitted to and approved by the Audit Committee and/or the Board of Directors of the subsidiary.

Relevant information of any fund-lending granted by the Company's subsidiary shall be submitted periodically to the Company for inspection.

#### **Article 16**

The Company's managers and persons-in-charge shall follow the Procedures in order to prevent the Company from incurring any losses. Any violation of related regulations or the Procedures shall be subject to discipline in accordance with the relevant human resources articles or rules of the Company.

#### **Article 17**

The Procedures shall be approved by the Audit and Risk Committee, the Board of Directors, and the Shareholders' Meeting. Any amendment hereof is subject to the same procedures.