

**MANILA BANKERS LIFE INSURANCE
CORPORATION
ENGAGEMENT PROPOSAL
December 31, 2014**

3/F VGP Center, 6772 Ayala Avenue, Makati City

Valdes Abad & Associates

certified public accountants

CJV Building
108 Aguirre Street
Legaspi Village, Makati City
Philippines
Branches: Cebu and Davao
PRC BOA Reg. No. 0314
SEC Reg. No. 0282-F

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www.valdesabadcpas.com
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Associate firm of

gmm
international

June 9, 2014

The Board of Directors

MANILA BANKERS LIFE INSURANCE CORPORATION

Ayala Avenue, Makati City

Gentlemen:

We are pleased to submit this engagement proposal as external auditors of **MANILA BANKERS LIFE INSURANCE CORPORATION** for the year ended December 31, 2014. We have outlined below the scope of our services and objectives thereof.

Our proposal presents the following:

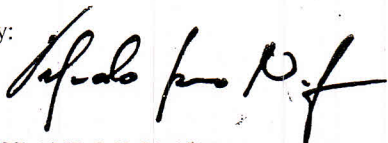
- Company Profile
- Scope of Services
- Engagement Team
- Audit Cost

We are most grateful for giving our Company the opportunity to participate in this undertaking. Should the foregoing proposal meet with your approval, please signify your conformity by signing on the space provided below and on the last page of this audit proposal and return to us two (2) signed copies.

Very truly yours,

VALDES ABAD & ASSOCIATES

By:



ORLANDO ROMANO N. SAGUN
Partner

CONFORME:

MANILA BANKERS LIFE INSURANCE CORPORATION



MABINI L. JUAN / PRESIDENT & CEO

Name in Print/Signature/Designation

Valdes Abad & Associates (VAA) is formerly known as Carlos J. Valdes & Associates (CJVA)

COMPANY PROFILE

THE COMPANY

Valdes Abad & Associates (VAA), formerly known as Carlos J. Valdes & Associates, is one of the oldest accounting firms in the Philippines today. The Company was founded in 1951 by Carlos J. Valdes, a certified public accountant, lawyer, civic leader, educator, businessman and former Philippine Ambassador to Japan and other countries.

The Company was a member firm of Touche Ross in the 1970's; Coopers & Lybrand International in the 1980's up to 1996 and a correspondent firm of RSM International from 1997 up to 2007. This long history of international membership was recognition of the Company's professional standing and track record of world-class service to clients over the years.

Currently, we are a member firm of GMN International, an association of legally independent firms worldwide.

THE PEOPLE

At Valdes Abad & Associates (VAA), our people apply their expertise to countless situations occurring in every kind of human organizations - from small businesses to large multinational corporations - in all areas of the country.

Since 1951, VAA has been continuously growing in terms of the number of people we serve, the places we reach, and as significantly, the kinds of services we render and the quality of the manner in which we render them.

Today, VAA has earned a reputation for providing a consistently high level of professional services to its clients. We are acknowledged as one of the leaders in the accounting profession.

For our people, personal and professional growth and advancement is not solely the product of a conscious individual effort, but rather become the logical result of a work environment that demands intelligence, responsibility, motivation, character and judgment.

THE FIRM COMMITMENT

Valdes, Abad & Associates is proud to be an active participant in the Philippines' emerging prominence in the Asia Pacific region. As we move in the new century, we reiterate our commitment to the nation and to our valued local and multinational clientele in our mission to be the leading provider of business advisory services in the country. To achieve this:

- We recruit, develop, motivate, and retain high quality human resources;
- We train our professionals to serve a client base that is increasingly becoming global; and
- We aim to set the standard in client focus and client services among professional firms.

SCOPE OF SERVICES

Valdes, Abad & Associates offers a wide range of professional services carried out by competent full-time professionals and specialists. At the basic level, there is the statutory audit and annual income tax preparation. This is complemented by management advisory, tax and corporate counseling and other services. To augment the services available, the Company has developed the capability to tap, mobilize, and organize project teams from a pool of affiliated institutions and professional consultants and practitioners.

AUDIT

This is our number one core business. The audit services include the examination of financial statements for the purpose of expressing an opinion on the fairness of the presentation in accordance with generally accepted accounting principles. Attendant to this attest functions are the assistance provided to clients in complying with the reportorial requirements of regulatory bodies and the preparation of management letter containing our memorandum of observations regarding our analysis of the financial structure and performance of the client and recommendations for improving the existing accounting procedures and internal accounting and administrative controls of the client. Audit services performed - *Statutory Audit, Acquisition Audit, Due Diligence Review, Internal Audit, Fraud Audit and Litigation Support. Accounting services performed - Accounts Preparation, Accounts Reconstruction and Accounts Reconciliation.*

MANAGEMENT ADVISORY

Our Management Advisory Services (or MAS) evolved and grew in response to the needs of clients for professional services in the realm of developing and improving managerial processes, areas beyond the normal scope of auditing and tax services.

Our MAS is equipped with the necessary experience, depth, maturing and technology support to successfully cope with the demands of management for consultancy services in the areas of: *Feasibility Studies, Sector Studies, Management and Operations Review, Process Evaluation - Accounting Systems, Review/Design, Executive Search, Training and Seminars.*

TAX SERVICES

The Firm offers a full range tax services, our tax practice and corporate counseling services consist principally of the following: *Income Tax Preparation/Statutory Returns, Tax Advisory and Planning, Tax Audit and Tax Laws Compliance Evaluation, Review of Tax Effects of Alternative Courses of Action, Tax Investigations and Allied Services, Estate Planning, Legal Assistance to Expatriates, etc.*

WHERE YOU CAN REACH US

- **VALDES ABAD & ASSOCIATES (Makati City)**
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e-mail vaa_cebu@yahoo.com
- **VALDES ABAD & ASSOCIATES (Davao City)**
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Cor. Palma Gil & C.M. Recto Sts.
Davao City
Telephone No. (6382) 227-7683
Fax Number (6382) 227-7683
e-mail cjvadavao@yahoo.com

SCOPE OF WORK

We shall:

- Undertake an annual audit of your financial statements for the year ended December 31, 2014 in accordance with Philippine Standards on Auditing. In this regard, the primary objective of our examination is the expression of an opinion on the financial statements at the end of the accounting period. Examination of this type may lead to or result in the discovery of fraud or irregularities, but need not be designed specifically for these purposes.
- Issue a certificate containing our opinion on the year-end financial statements. In forming our opinion on the financial statements, we will perform sufficient tests to obtain reasonable assurance as to whether the information contained in the underlying accounting records and other source data is reliable and sufficient as the basis for the preparation of the financial statements. We will also decide whether the information is properly communicated in the financial statements.
- Because of the test nature and other inherent limitations of an audit together with the inherent limitations of any system of internal control, there is an unavoidable risk that even some material misstatements may remain undiscovered.
- Be available for consultations in matters involving accounting, taxation and other related matters. However, should the matters being brought up require additional research or require us to consult with our Tax and Legal Consultants, this shall be billed separately. In such case, we shall inform you immediately before we start working on the matter.
- Relative to the review and examination of your financial statements, our audit activities would include:
 1. Audit planning for the period under examination
 2. Assessment of control environment
 3. Documentation of accounting system and procedures
 4. Review of the Company's transaction cycles
 5. Submission of a memorandum of suggestions or a management letter containing our observations and recommendations for improving the existing accounting procedures and internal accounting and administrative controls
 6. Preparation of financial statement related analytics for a more meaningful understanding of the financial statements
 7. Substantiation of year-end balances

AUDIT ENGAGEMENT TEAM

The team is to be headed by **Ms. FELICIDAD A. ABAD**, Managing Partner, and **Mr. ORLANDO ROMANO N. SAGUN**, as Partner. Seasoned audit assistants will support them.

Our audit engagements are organized and controlled by an engagement partner, vested with the authority to command the resources of the firm, the engagement partner will be Felicidad A. Abad, who will be responsible for:

- Planning, leading and coordinating the audit to meet your requirements cost-effectively and in accordance with the highest professional standards.
- Providing a single focal point of contact between Valdes Abad & Associates and client for matters concerning both the performance and the cost of audit services.
- Participating in key areas of the audit and in meeting with the Management and Audit Committees and other designated officials.
- Ensuring we provide all the services you may require as the need arises.

Ms. Felicidad A. Abad, has obtained her bachelor's degree in Business Administration from the Philippine School of Business Administration. Her thirty (30) years experience in the auditing profession enabled her to earn extensive experience in auditing and management reviews which includes financial and compliance audit, operation and systems review, fraud audit, organizational analyses, design and installation of accounting information system. She underwent one and a half (1½) years of extensive on the job training at the Coopers and Lybrand in Philadelphia, USA. She is an active member of the Philippine Institute of Certified Public Accountants (PICPA), and the Association of CPAs in Public Practice (ACPAPP), Auditing and Assurance Standards Council (AASC) (formerly Auditing Standards and Practices Council (ASPC), ACPAPP Foundation, Rotary Club of Cebu North and Cebu Chamber of Commerce. She was the chairman of the Committee on Professional Ethics, PICPA Cebu Chapter in 1995, 1996 and 1999, the Secretary of the Rotary Club of Cebu North for 1996-1997 and its President for 1999-2000, a Director and Treasurer of ACPAPP for the years 1999-2000, 2005-2006, and President in 2010, and a Member and Treasurer of AASC since 1999 to present, President of the ACPAPP Foundation, Inc. in 2011 and an active ACPAPP member.

Mr. Orlando Romano N. Sagun as audit partner of the engagement will be responsible for the overall administration, developing the goals and objectives of the systems plan to ensure a high standard of service is provided to you in a timely and efficient manner. He earned his degree in Bachelor of Science in Accountancy from Centro Escolar University and a member of the Philippine Institute of Certified Public Accountants (PICPA) and Association of CPAs in the Public Practice (ACPAPP).

Their experience in the accounting profession enabled them to earn experience in auditing and management reviews, which includes financial and compliance audit, operations and system

AUDIT COST

In consideration for the foregoing services, we propose to bill you a fee computed based on the time that will be spent by the staff which we estimate to be in the amount of **ONE HUNDRED AND SEVENTY THOUSAND PESOS (P170,000)** exclusive of VAT, payable as follows:

- 25% upon signing of the proposal,
- 25% upon start of two quarter interim audit fieldwork,
- 25% upon start of third quarter interim audit fieldwork,
- 15% upon start of year-end audit fieldwork, and,
- 10% upon submission of final report

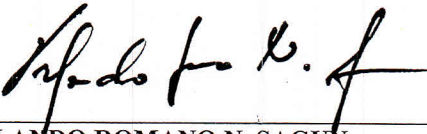
In addition to the aforementioned professional fees, we will bill you fifteen percent {15%} of our professional fee to cover our out-of-pocket expenses incidental to the audit. These expenses include report preparation, overtime premium of the staff, communications and related audit costs.

The above quoted fee is based on the premise of your having the proper competent accounting personnel, the present volume of transactions as well as our receiving maximum assistance from your staff in the preparation of trial balances, reconciliation statements, supporting schedules and analyses and other similar financial data. We look forward to full cooperation from the organization's staff and we hope that they will make available to us whatever financial records, documents and other records that we may request in connection with the examination. Should abnormal difficulties be encountered by us, so that our examinations would require more time than that originally estimated by us, we shall first confer with you on any adjustments to our fee. If necessary, our fees shall also, accordingly, be subject to yearly review.

We would like to inform you that the responsibility for the preparation of financial statements including adequate disclosure belongs to the management. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies and the safeguarding of the assets of the Company. As part of our audit process, we will request from management, written confirmation concerning oral representations made to us in connection with the audit.

VALDES ABAD & ASSOCIATES

By:



ORLANDO ROMANO N. SAGUN
Partner

MANILA BANKERS LIFE INSURANCE
CORPORATION

By:



MABINI L. JUAN / PRESIDENT & CEO
Name in Print/Signature/Designation