

TO: THE STOCKHOLDERS OF MB LIFE INSURANCE CORPORATION

SUBJECT: Recommend Approval of Engaging Valdes Abad & Asso. As External Auditor For Year 2017.

DATE: May 23, 2017

Attached is copy of engagement audit proposal of Valdes Abad and Asso. (VAA) for year 2017 for your reference.

This year's fee is for P190,000.00 against P180,000.00 in year 2016. The increase in fee is barely 5%.. Same percentage of 15% of professional fee is being charged to cover out-of-pocket expenses incidental to audit.

We would like to get approval for the 2017 proposed audit engagement of Valdes, Abad & Asso., CPAs. It is further suggested that MB Life engage with the audit services of VAA for purposes of continuity of financial trails. Likewise, their engagement fee is just suitable to the size of our company.

Thank you.


PATRICIA A. TRINIDAD
Consultant

Noted by:


MABINI L. JUAN
President

Encl.: As stated

*need for the
5/26/17*

Valdes Abad & Associates

certified public accountants

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Associate firm of
gmm
international

May 18, 2017

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, 2017**. We have outlined below the scope of our services and audit cost thereof.

SCOPE OF WORK

We shall:

- Undertake an annual audit of your financial statements for the year ended December 31, 2017 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.

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

- 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 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 NINETY THOUSAND PESOS (₱190,000)** 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.

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

Valdes Abad

By:

ORLANDO ROMANO N. SAGUN
Partner

CONFORME:

MANILA BANKERS LIFE INSURANCE CORPORATION

Marini L. Juan
MARINI L. JUAN
PRESIDENT & CEO

Name in

Print/Signature/Designation