

# Managing Director's and Chief Financial Officer's Statement of Responsibility

The Financial Statements of the Commercial Bank of Ceylon PLC (the Bank) and the Consolidated Financial Statements of the Bank and its subsidiaries (the Group) as at December 31, 2018 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka);
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Banking Act No. 30 of 1988 and amendments thereto and the Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka (CBSL);
- Listing Rules of the Colombo Stock Exchange (CSE); and
- Code of Best Practice on Corporate Governance 2017 issued by the CA Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made comply with the specified formats prescribed by the CBSL. The Group presents the financial results to its shareholders on a quarterly basis.

The Significant Accounting Policies have been consistently applied by the Group. Application of Significant Accounting Policies and estimates that involve a high degree of judgement and complexity were discussed with the BAC and Bank's External Auditors.

With effect from January 01, 2018, the Bank applied the Sri Lanka Accounting Standard – SLFRS 9 on “Financial Instruments”, which replaced the Sri Lanka Accounting Standard – LKAS 39 on “Financial Instruments; Recognition and Measurement” which was effective until December 31, 2017. The adoption of Sri Lanka Accounting Standard – SLFRS 9 on “Financial Instruments” had a significant impact on the calculation of impairment of financial instruments on an “expected credit loss model” compared to the “incurred credit loss model” which was hitherto applied until December 31, 2017 under the Sri Lanka Accounting Standard – LKAS 39 on “Financial Instruments – Recognition and Measurement”. As permitted by the paragraph 7.2.15 of the Sri Lanka Accounting Standard – SLFRS 9 on “Financial Instruments”, the Bank has opted not to restate Financial Statements of prior periods, and has recognised the difference between the previous carrying amount under the Sri Lanka Accounting Standard – LKAS 39 on “Financial

Instruments – Recognition and Measurement” and the carrying amount at the beginning of the annual reporting period the Sri Lanka Accounting Standard – SLFRS 9 on “Financial Instruments” that includes the date of initial application, in the opening retained earnings as at January 1, 2018 as disclosed in Note 12 on pages 196 to 201. Accordingly, comparative information has not been amended to comply with the current presentation.

We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report, fairly present in all material respects the financial position, results of the operations and the Cash Flows of the Group during the year under review. We also confirm that the Group has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

We are responsible for establishing, implementing and maintaining Internal Controls and Procedures within the Bank and all of its subsidiaries. We ensure that effective Internal Controls and Procedures are in place, ensuring material information relating to the Group are made known to us for safeguarding assets, preventing and detecting fraud and/or error as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We have evaluated the Internal Controls and Procedures of the Group for the financial period under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Procedures, to the best of our knowledge. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and fraud that involves management or other employees. The Bank's Internal Audit Department also conducts periodic reviews to ensure that the Internal Controls and Procedures are consistently followed.

The Financial Statements of the Group were audited by Messrs Ernst & Young, Chartered Accountants and their Report is given on pages 152 to 154. The BAC pre-approves the audit and non-audit services provided by Messrs Ernst & Young, in order to ensure that the provision of such services does not contravene with the guidelines issued by the CBSL on permitted non-audit services or impair Ernst & Young's independence and objectivity.

The BAC, *inter alia*, reviewed all the Internal and External Audit and Inspection Programmes, the efficiency of Internal Control Systems and procedures and also reviewed the quality of Significant Accounting Policies and their adherence to statutory and regulatory requirements, the details of which are given in the “Board Audit Committee Report” appearing on pages 89 to 91. The Bank engaged the services of four firms of Chartered Accountants approved by the CBSL to strengthen the audit and inspection functions. The continuous inspection and audit functions, engagement of firms of Chartered Accountants and effective functioning of the BAC, ensure that the internal controls and procedures are followed consistently. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the BAC to discuss any matter of substance. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

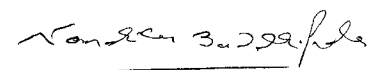
It is also declared and confirmed that the Group and the Bank have complied with and ensured compliance with the guidelines for the audit of listed companies where mandatory compliance is required.

We confirm that to the best of our knowledge –

- The Bank and the Group have complied with all applicable laws and regulations and guidelines and there is no material litigation against the Group/Bank other than those disclosed in Note 61 on page 306 of the Financial Statements.
- All taxes, duties, levies and all statutory payments payable by the Group/Bank and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank/Group as at December 31, 2018 have been paid, or where relevant provided for.



**S Renganathan**  
Managing Director/CEO



**K D N Buddhipala**  
Chief Financial Officer

Colombo  
February 22, 2019