



Tithe an
Oireachtais
Houses of the
Oireachtas

**Joint Committee of Inquiry into the Banking
Crisis**

Witness Statement of

Derek Quinlan

Session 43 (a.m.)

09 July 15

Strictly Private & Confidential

As indicated on its cover page, the document(s) contained within are confidential unless and until the Joint Committee decides otherwise including where the Joint Committee publishes such document(s). For the avoidance of doubt, "documents" include witness statements in this context. Further to section 37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013 ("the Act"), while the documents remain confidential, you must not disclose the document(s) or divulge in any way that you have been given the document(s), other than:

- "(a) with the prior consent in writing of the committee,
- (b) to the extent necessary for the purposes of an application to the Court, or in any proceedings of the Part 2 inquiry, or
- (c) to his or her legal practitioner."¹

Serious sanctions apply for breach of this section. In particular, your attention is drawn to section 41(4) of the Act, which makes breach of section 37(1) a criminal offence.

¹ See s.37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013

STATEMENT OF DEREK QUINLAN

TO

THE JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

DATED 11 JUNE 2015

OIR REF: DQU01 [DQU-i-03a]

Note: In making this statement I have used the headings provided to me in Document 1 appended to the NOTICE OF INTENTION TO ISSUE A DIRECTION PURSUANT TO THE HOUSES OF THE OIREACHTAS (INQUIRIES, PRIVILEGES AND PROCEDURES) ACT 2013 sent to me on 29 April 2015.

Document 1

Part 1: Overview of relationship between our company and banks

1.1 Description and assessment of the process(es) with the principal financial institution by which a loan application was typically handled.

In answering this question it should be noted that, save for some limited exceptions, from 2002-2008 I was not personally involved in dealing with financial institutions to obtain financing for any Quinlan Private ("QP") project. It is important for me to state from the outset that my assistance to the Inquiry will relate to providing a high level overview of QP's interaction with financial institutions.

The first comment I would like to make is that QP was not a company but a partnership. I retired in summer 2009 to concentrate on the deleveraging of my investment portfolio and on advice from KPMG I moved from my home in Ireland abroad so that I could maximize the returns to my creditor banks.

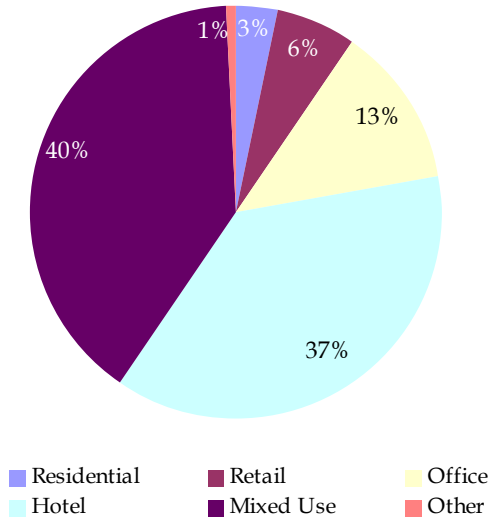
QP's director of finance was in charge of the overall financial / banking relationships with our major lenders. The individual loans were managed by a team of client relationship managers / directors who were in regular contact with our clients. It is my understanding that this was standard practice for an entity of QP's size.

A loan application was typically handled by a relationship manager or director of QP who would have dealt with the relationship manager in the relevant financial institution.

Every loan application had a business case attached and our typical property acquisition was an income-producing asset.

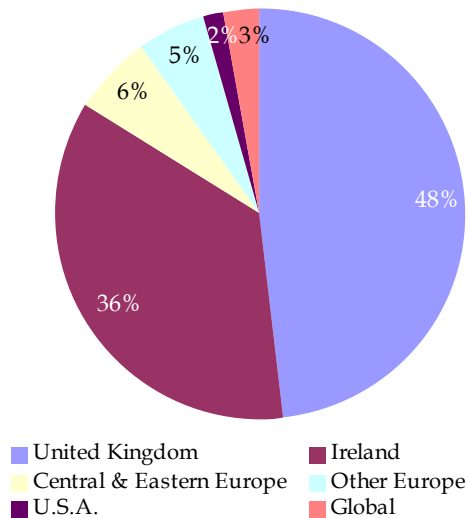
The following charts are provided to illustrate the position of QP's investments as at April 2006.

Assets by Type Based on valuation (€)



Source: *Quinlan Private – Business & Transaction Overview, April 2006*

Assets by Geography Based on valuation (€)



Source: *Quinlan Private – Business & Transaction Overview, April 2006*

Anglo Irish Bank was QP's principal financial institution but QP also had significant relationships with a number of other banks based in Ireland together with international banks including Santander, RBS, Bank of Scotland and many German banks, etc.

1.2 Description and assessment of the process (es) – e.g. business case – within your company typically supporting a loan application

I am not aware of the precise information that was either supplied by QP to a financial institution or requested by a financial institution from QP to support a loan application. However, I can describe the internal assessment that was undertaken in order for a QP manager to be authorized by QP to approach a financial institution for financing:

- A manager or director would assess an opportunity and produce a written paper for QP. The paper would have described:
 - (i) The compelling reasons why the asset represented an opportunity for clients of QP;
 - (ii) A financial model would be produced based on the following factors:
 - (a) Our forecasted income projections from the property;
 - (b) The assumptions in relation to financing including both interest cover and interest rate together with projected principle repayments;
 - (c) The level of tax to be provided taking into account the location of the asset. The tax calculations would be signed off by a member of QP's tax team; and
 - (d) We would then have a cash-flow model that would determine the amount of equity that would be required for the project.
- Having decided on the amount of equity required, we would then decide which clients were appropriate for the investment and the financial institution whom we would approach for funding.

I understood that all of the above, in a typical case, would have been sent to the bank.

1.3 Description and assessment of the processes by which the principal financial institution typically monitored a loan, describing the main performance metrics, if any, used

I would not have been made aware of the internal processes used by our principal financial institution, Anglo Irish Bank, to monitor any loan in which QP was involved.

My understanding is that it was not the practice of the financial institution to seek any further information from QP following the provision of financing once the loan was performing.

1.4 Description and assessment on the governance arrangements, if any, in place between your company and the principal financial institution for exercising oversight of all loans

Each individual loan was monitored by QP on a very regular basis as in many instances quarterly financial reporting was undertaken for the clients of QP.

As part of QP's corporate governance and risk control mechanisms an Investment Committee met every Monday morning at 8am. These meetings were attended by partners together with the presenters of any investment applications and two independent consultants - Nathaniel Healy, a former banking partner with A&L Goodbody, solicitors, and Kieran Duggan who was a former Hill Samuel and Anglo Irish bank executive. There were minutes taken at these meetings which were subsequently circulated to the partners. It would not have been my practice to personally attend these meetings. However, I would have read and reviewed the minutes of these meetings and followed up with the Committee when appropriate.

1.5 Description and assessment of the business model supporting the expansion of your company in the years leading up to the banking crisis

QP commenced in 1989 when I was a sole trader practicing as a chartered accountant providing financial advice to high net worth clients. The business grew from very modest beginnings and in fact during that first year no property was acquired on behalf of any clients. QP was regulated by the Irish Institute of Chartered Accountants. Its sister business in the UK was regulated by the UK Financial Services Authority.

The growth in the property assets under management can be summarised in the 15 years ending 30th April 2005, as follows:

| Year | Total property assets under management €million |
|-------------|--|
| 1991 | 7 |
| 1992 | 14 |
| 1993 | 22 |
| 1994 | 38 |
| 1995 | 73 |
| 1996 | 136 |
| 1997 | 195 |
| 1998 | 309 |
| 1999 | 412 |
| 2000 | 602 |
| 2001 | 858 |
| 2002 | 1,144 |
| 2003 | 1,639 |
| 2004 | 3,001 |
| 2005 | 4,232 |

Source: *Quinlan Private – Business & Transaction Overview*, April 2006

QP grew from an initial head count of six people to over 250 people located across seven offices in the following multiple jurisdictions:

- Dublin
- London
- New York
- Prague
- Budapest
- Warsaw
- Bratislava

As can be seen from the diverse geographic nature outlined above QP was very international in nature.

That being said, I was personally a big believer in the idea of “Ireland Inc”. For instance, in 1990 I arranged an investment in the Square Shopping Centre, Tallaght of circa €5million through private investors. In total QP also arranged for the investment of circa €250million in the Irish Financial Services Centre through private and institutional investors.

The business model that saw the expansion of QP was in essence based on the fact that QP was experiencing growth on the projects it invested in.

1.6 Description and assessment of how multi-bank lending, in respect of your company, was managed

I expect that the same process as described at paragraph 1.1 above would have applied.

Part 2:

Your Company – Its performance and Modus Operandi

2.1 Profile of business, specifying the nature of the property segment, turnover and scale of activity (2001-2008)

I have noted that I am described by the Inquiry as a Property Developer. In my opinion this is not an accurate description. The firm’s main emphasis was on income producing properties. I would classify QP as an International Investment House providing a range of services to its clientele. QP would identify assets for investment and go to the market seeking private and institutional investment to purchase the asset. QP would then manage the asset and provide a return to the investors.

By 2008, QP had four separate divisions, as follows:

- **Quinlan Private Capital (QPC)**

QPC was a distinct entity with a dedicated team that sourced, structured and delivered property based investment products to both clients of QPC as well as other investors.

QPC invested substantial time in sourcing potential transactions and undertaking due diligence on any investment property, jurisdiction and market in which the investments were located. QPC had particular expertise in structuring transactions to ensure the maximum benefits for clients. Investment opportunities were primarily focused on the property sector.

- **Quinlan Private Clients (QPCS)**

QPCS managed the financial affairs of its clients. Its primary role was to preserve, manage and create wealth for clients. This involved establishing the client's financial goals and objectives and developing a personal financial strategy tailored specifically to that individual's circumstances in order to achieve these objectives within a specific timeframe.

- **Quinlan Private Asset Management (QPAM)**

Quinlan Private Asset Management was responsible for the financial, asset management/operations of the investments generated from the activities of clients of QPCS and the transactions structured by QPC.

- **Quinlan Private Golup (QPG)**

QPG was both an asset manager and a significant developer with offices based in Prague, Warsaw, Bratislava and Budapest. QPG was founded by Gene Golup, a Chicago based US developer, who was the first international developer to commence development in Poland after the fall of the Berlin Wall in 1989. The firm was known initially as GE Golup. The renowned US investor GE Capital was the capital partner and provided equity for all investments or developments. In 2002, QP acquired the interest of GE Capital in GE Golup and increased their stake in the business to 75%.

In 2001, QP operated from 10 Clyde Road, Ballsbridge, Dublin 4 with a total staff compliment, including 3 partners, of approximately 30 people.

The assets under management on the 30th April 2001 came to €858million. At the time, QP had income from three main sources:

1. The management of a significant private client business;
2. Acquisition fees in relation to property being acquired on behalf of clients; and

3. The management of the property portfolio.

The scale of activity increased significantly with each passing year resulting in a very diversified portfolio of real estate which grew within four years to property under management of €4.2billion with a breakdown by asset type as follows:

| | Value € million |
|--------------------|------------------------|
| Residential | 136 |
| Retail | 258 |
| Office | 545 |
| Hotel | 1,571 |
| Mixed use | 1,688 |
| Other | 33 |
| TOTAL | 4,232 |

Source: *Quinlan Private – Business & Transaction Overview*, April 2006

I have no accurate figures for the period of 2005-2008 but my best recollection is that the assets managed by QP grew to approximately €10billion.

2.2 Outline the board / Company structure, including skills of Directors, management structures, risk assessment and business planning

A profile of QP partners in 2006 would be as follows:

Derek M. Quinlan (Executive Chairman & Founder) - Derek M. Quinlan was the Executive Chairman and Founder of QP and had been involved in all phases of the firm's development since its founding in 1989. Mr. Quinlan began his career at Coopers & Lybrand and subsequently worked with the Revenue Commissioners as a tax inspector before going into private practice and establishing QP. He was on the board of the Trinity Foundation.

Olan Cremin (Partner & Chief Executive Officer) – Olan joined QP in 2005 as Chief Executive Officer. He has a broad range of financial services and banking experience with over 20 years' experience at a domestic and European level in several sectors including Property Investment and Finance, Private Banking and Structured Finance. Olan has held senior positions with KBC Bank NV, including CEO of their UK business and Head of their Irish Private Banking Business and has held senior positions with Hewlett Packard International Finance including Director of Operations and Risk, Europe. Olan trained and qualified as an accountant with KPMG and has a BComm degree from University College Dublin.

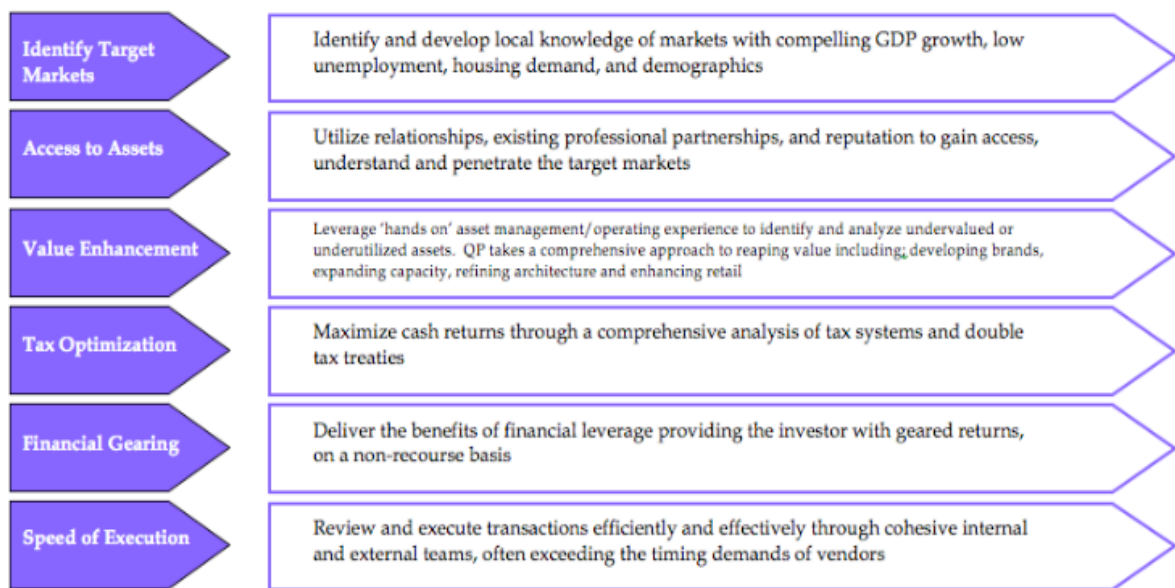
Thomas Dowd (Partner, Western Europe) – Thomas, a founding Partner of QP played a central role in developing all divisions of QP including Private Clients and Asset Management. With over 15 years' experience in Property Investment and Finance, Thomas specialised in property investment in Ireland, the United Kingdom and Europe and was lead partner in the Stg£500+ acquisition of the Knightsbridge Estate London. Thomas has a BComm degree from University College Galway and qualified as a Chartered Accountant with Deloitte & Touche, Dublin.

Peter Donnelly (Partner, Central and Eastern Europe) – Peter joined QP in 1998 with his primary focus on acquisitions in Europe and the establishment of QP's development platform in Central Europe, both directly and through joint ventures with some of the regions most successful developers. Previously, Peter was a partner at A&L Goodbody, Solicitors, one of Ireland's largest law firms where he specialised in banking and financial services. He developed extensive expertise in all types of acquisition and financing with a particular focus on cross border acquisitions and financing of large ticket assets. Peter qualified as a solicitor and is a law graduate of Trinity College Dublin.

Peter Vanderslice (Partner, North America) – Peter was the lead Partner for QP in North America and joined in 2005. He retired from QP in 2008. Prior to joining QP he had worked in many industries including Financial Services, Real Estate and High Technology over a 20-year period. He joined QP from Accenture's Strategy practice, where he was a Senior Partner. Prior to Accenture, Peter worked at Booz Allen and Hamilton in San Francisco. Peter has worked with the management teams of many of the world's most successful companies to set their strategic direction, prioritise investments and create the business capabilities required to maximise return on capital. Peter has a B.S. degree from Boston College School of Management where he majored in Finance and Marketing.

Mark O'Donnell (Partner & Head of QP Clients) – Mark was a Partner and Head of QP Clients. He was responsible for managing the financial affairs of a broad range of high net worth clients. He had considerable experience and expertise in the areas of banking, financial strategy & investment taxation and succession planning. Mark is a Chartered Accountant having previously worked for KPMG in Dublin, is a Member of the Institute of Taxation and has a BComm degree from University College Dublin.

The business was built upon the following core capabilities:



Source: *Quinlan Private – Business & Transaction Overview*, April 2006

Risk assessment was carried out by both the partners in relation to each transaction together with an Investment Committee review on a weekly basis. The Investment Committee has been described in greater detail at paragraph 1.4 of this statement.

2.3 An outline of total outstanding debt by property type (unzoned land, zoned land, residential, commercial specifying type), by financial institution on 30/09/2008

I retired as a partner of QP in 2009 and I do not have access to records which would enable me to assist the Inquiry by answering this question. I believe it is very important for me to state that it is not my intention to be evasive or to frustrate the Inquiry. However, if these records are still in the hands of the firm (which I believe to be unlikely) then it would be a particular onerous, time consuming and in fact an impossible task for me personally to carry out the above analysis. This is particularly so as my role, as described in this statement to the Inquiry, was that of the Principal of QP and not a role where I would have been involved in each individual banking facility in a granular or macro level.

2.4 Profile of total outstanding debt by geographic area, including Republic of Ireland, Northern Ireland, U.K., Poland, other please specify, on 30/09/2008

As I have outlined at paragraph 2.3 above I do not have access to the relevant information to assist the Inquiry in answering this question. However, I have carried out a search of my personal records and located a draft internal marketing brochure published in early 2008. The graphs set out below describe the assets by type and by geography. As this is a draft brochure I cannot be absolutely certain of its accuracy but I do believe

that it is indicative of the assets held by QP based on their valuation and geographic location.

Assets by type based on valuation (€)



38% Hotel 10% Office
 33% Mixed Use 7% Residential
 12% Retail

Assets by geography on valuation (€)



51% United Kingdom 9% Western Europe
 26% Ireland 3% Other
 11% Central & Eastern Europe

Source: *Quinlan Private – internal document, 2008*

2.5 Detail collateral by type and value for all outstanding debt on 30/09/2008

Again, as stated at paragraph 2.3 above I regret that I am not in a position to assist the Inquiry in answering this question.

2.6 Detail of the valuation methods and the firms used to determine the current market value of land and property in your portfolio (2001-2008)

Valuations were obtained from the leading agents including CBRE, Jones Lang La Salle, Lisney and a number of internationally recognised professionals. I was not made aware, nor did I feel that it was necessary to inquire, into the valuation methods used by the individual firms.

From experience of the market, the relevant client relationship managers / directors had a good understanding of the markets in which QP operated and hence had views on values.

2.7 If a residential developer, detail of the cost apportionment of different house types, outlining the cost of the land, the cost of servicing the land, construction costs, finance costs and profits on sale (2001-2008). How did this cost apportionment develop for subsequent phases of development on the same site?

QP was not a residential developer.

2.8 Detail the nature of the due diligence, known to you, carried out by the financial institution(s) on loan acquired (2001-2008)

I am not aware of the extent of the due diligence carried out by any of the financial institutions on loans acquired during the period of 2001-2008.

2.9 Detail the collateral required by financial institution(s) by type of loan (2001-2008)

I do not have details of the collateral required but loans were typically backed by the asset or by a combination of the asset and personal guarantees provided by the borrower.

2.10 Outline, if any, the extent of equity and interest roll up provided to you (2001-2008)

From memory I cannot recall any QP property project that required any equity and interest roll up in the period 2001-2008.

2.11 Details of corporate hospitality, if any, provided to you, or your senior management team by financial institutions (2001-2008)

I have no accurate details of the extent of corporate hospitality provided either to myself or the senior management team of QP. For example, we would have been regularly invited to corporate golf days and dinners by all of the financial institutions. It would have been common practice for the financial institutions to have invited existing and prospective customers to these events. From time to time, I would have participated in some of these events.

2.12 Detail contributions, if any, made to public representatives or political parties (2001-2008)

It was not my personal practice to keep a note of political donations made either personally or by QP. However, I do recall that in 2005 we made a contribution to the English Conservative Party for four seats at £5,000 each at a dinner with David Cameron. We also made a contribution to a Conservative Party dinner in 2008.

I do not have a precise recollection of contributing directly to any Irish politician from 2002 to 2008. I may have made a contribution directly to the PD's but could not be sure. QP would have taken seats at dinners and golf outings held by Fianna Fáil, Fine Gael and the PD's.

2.13 Details of Lobbying on property related matters, including taxation, by you, specifying who was lobbied, the nature of the lobbying and the outcome of the lobbying (2001-2008)

We were not involved in any lobbying during the period of 2001-2008.

2.14 Your views on the establishment, operation and effectiveness of NAMA

I have an on-going private commercial relationship with NAMA. Due to the nature of this relationship I do not believe it is appropriate for me to comment on the institution at this time.