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Christopher Clay

THE ORIGINS OF MODERN BANKING IN THE LEVANT: THE BRANCH NETWORK OF THE IMPERIAL OTTOMAN BANK, 1890–1914

Historically, the development of modern banking has been an important component of economic change, but it has not always been so clear whether it has been a factor in the genesis of growth or a response to and a consequence of it. In the case of the Ottoman Empire, corporate banks—wholly or partly financed with Western capital—had established themselves in strength in Istanbul after the Crimean War, especially in the decade 1863–72 when no less than eight opened there. All, however, concentrated to varying degrees on meeting the financial needs of the government at a time when the Porte was borrowing almost continuously, both short-term and long-term, a fact that explains the eclipse of several of them around the time of the bankruptcy of 1875.¹

Outside the capital, however, corporate banking was much slower to develop, despite the belief of propagandists such as Farley in the early 1860s that there were great opportunities ripe for exploitation.² Indeed, as late as 1888 the Banque Impériale Ottomane (BIO) was the only corporate bank with branches in the provinces, and almost everywhere indigenous *şarrāfs* retained a monopoly in the provision of credit and other financial services. It was therefore not until the last generation before World War I that traders and others outside Istanbul and a handful of other cities had access to modern banks and the great advantage they had to offer—credit on much cheaper, albeit usually much less flexible, terms than the *şarrāfs*. By 1913, however, sixteen different corporate banks had provincial branches, and although eight of these had no more than one each, the others all had networks of varying sizes. Between them they had over 140 establishments outside Istanbul providing modern-style banking in more than eighty urban centers in every province of the empire, including the Arabian peninsula. However more than half of this total (80 out of about 140) was provided by just one bank, the BIO, and in almost every one of the fifty or so places where there was just a single banking establishment it was likewise provided by the BIO.³ An examination of how this concern's branch network came into being will thus go far in establishing how modern banking came to the Ottoman provinces and will incidentally throw some light on the relationship

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between the advent of such banking and the process of economic development in the region.

At the beginning of the 20th century the BIO was not only by far the largest bank in the Levant, it was also one of the largest anywhere in the world.⁴ Founded in 1863 by a group of British and French financiers as the state bank of the Ottoman Empire, it was run by a director general and a group of senior managers, known collectively as the *direction générale*, from a head office in Istanbul, with ultimate control vested in two committees (in effect boards of directors), one in London and the other in Paris. The original shareholders had been British and French in roughly equal proportions, but by the late 1880s its capital (U.K. £5 million “called up” out of a nominal U.K. £10 million)⁵ was largely owned in France. The Paris Committee had thus emerged as the ultimate arbiter of the bank’s affairs, and well before 1914 the BIO had become notorious as an essentially French bank.⁶

For most of the first generation or so of its existence the BIO functioned almost exclusively as the government’s bank, and the purpose of the present article is to show when, why, and how it broke away from this narrowly circumscribed role. It will be demonstrated that, even in the case of the BIO, it was not until the early 1890s that the first sustained attempt to establish commercial banking in the provinces was made—an attempt that was abandoned in 1894–95 and not resumed until after 1903. It will also be shown that, whereas a number of new branches⁷ were opened to enable the BIO to discharge its function of government banker more effectively, the major extensions of its network represented, on the one hand, the bank’s response to the opportunities offered by an acceleration in the growth rate of the Ottoman economy and, on the other, to the appearance of competition from rival banks likewise attracted by these same opportunities. Broadly speaking, therefore, the marked variations over time in the rate at which new branches were opened reflect similar variations in the pulse rate of the Ottoman economy. The problem of finding suitable branch managers was, however, always a potential constraint on the expansion of the network, and at some periods a real and effective one.

In the beginning neither Fuat Pasha, who had been primarily responsible for the bank’s creation on the Ottoman side, nor the Western bankers to whom he had awarded the concession, had envisaged the BIO as just a government bank. During the years immediately after 1863, therefore, branches at Izmir (with dependent subagencies at Aydin, Manisa, and Afyon), Beirut, Salonica, Larnaca, and (for a time) at Galati and Bucharest in the Danubian Principalities, were encouraged to develop an active commercial business. In the face of serious financial losses, however, this early interest in developing branch banking activity had waned even before the end of the 1860s. Indeed by the beginning of the next decade the BIO had come to operate on the assumption that, except in the special case of Egypt, branches were a potential liability rather than a set of valuable assets.⁸ They were rendered necessary by the special relationship with the Ottoman (and later the colonial Cypriot) government, for which they provided services in connection with the collection, transmission, and disbursement of revenue, and they were rendered tolerable by the annual subsidy they attracted on that account. But of their com-

mercial operations the most that could normally be hoped for was that they would avoid loss, and these were accordingly conducted on a very limited scale, or even forbidden altogether. For many years, therefore, the BIO confined itself very much to Istanbul and especially to matters of government finance.

As the government's bank the main functions initially performed by the BIO were the provision of short-term credit, holding government accounts, transmitting from the provinces to Istanbul such tax revenues as the authorities chose to entrust to it, and making payments on behalf of the government, especially interest payments on its foreign debt. In 1874, however, under a new agreement the bank was to act as "Treasurer and Paymaster of the Empire." It was to be given custody of all public funds: all tax revenues were to be paid to it, and all payments made by it.⁹ This system would have required an extensive network of branches in the provinces, but it never came more than very partially into effect because of the state bankruptcy of 1875 and the financial and political crises that followed. However, a number of new branches (Edirne, Rusçuk, Bursa, and Damascus) were set in place in 1875 before the events just mentioned put further openings out of the question.¹⁰ Thereafter, although no attempt was ever made to revive the 1874 scheme in its original form, for reasons of its own the government periodically pressed the bank to provide it with financial services in parts of the empire where previously none had been available: it did so, for instance, in 1889–93, 1899, 1903, and especially after the 1908 revolution. From around 1870 until the end of the 1880s it was only in response to the requests of the Porte (or the Cypriot government), and where a subsidy was to be made available, that the bank was even willing to consider opening new branches outside the capital. Indeed, right down until 1903 a subsidy, or at least the commission to be made from handling government moneys, remained an important factor in the BIO's calculations as to whether to open new branches (or to close existing ones), even during the early 1890s when commercial considerations, temporarily as it turned out, also came to be afforded great weight.¹¹

If we now turn to the Ottoman economy, recent research had made it clear that whatever may have happened in the immediately preceding decades, the period between 1889 and the onset of the Turco–Italian war in late 1911 saw sustained increases in output.¹² Production in all sectors of the economy was growing rapidly, certainly outstripping the growth in population, although an estimate based on Eldem's figures that per capita income in the empire as a whole rose by around 1 percent per annum may well be a considerable underestimate, if only because the figures failed to take into account the large amount of traditional manufacturing whose scale and significance have recently been elucidated by Quataert.¹³ The combined value of imports and exports rose from an average of U.K. £31.5 million a year in the 1880s to U.K. £49 million in the decade 1900–1909, an increase of nearly 56 percent. Nor is there any reason to suppose that internal trade grew less rapidly than external trade, as agriculture was progressively commercialized and handicraft production expanded in response to rising incomes which created a growing market for domestic manufactures.¹⁴

There were setbacks in this extended period of growth—notably in 1894–97 and 1907–9¹⁵—but these apart, with every year that passed demand for banking

services within the Ottoman Empire both widened and deepened. Traders in the major centers of the empire required an ever larger amount of financial accommodation, and as those in smaller or more remote places were pulled more and more firmly into the orbit of the commercialized economy so they became increasingly anxious to escape the limited facilities and high rates of interest offered by the local *sarrafs* upon whom, in the absence of any alternative, they had to rely.¹⁶ The often lengthy assessments of the prospects for proposed new branches made for the BIO's *direction générale* provide plenty of evidence of this increasing dissatisfaction of local businessmen with their traditional sources of credit. For whether they dealt with a boom town like Eskişehir—where, mainly as a result of the railway, population doubled in the ten years after 1895 to reach over 31,000, and revenue from the land tax in the surrounding *caza* had risen by 150 percent—or with a long-established but relatively stagnant center like Kayseri, the same theme emerged. Everywhere, it seems, commercial development was being inhibited by an acute scarcity of liquid capital in the hands of local merchants and agricultural producers, a scarcity that enabled a handful of *şarrāfs* in each place to exploit their oligopolistic position as lenders for all that it was worth. The rates they charged varied from place to place, and no doubt for different classes of business, but were invariably very high. Thus, at Eskişehir in 1905 they were 2 percent a month for short-term advances on merchandise, whereas not far away at Kütahya commercial farmers had to borrow at rates that were never less than 25 percent and very often exceeded 100 percent per annum.¹⁷ The rates offered by the BIO likewise varied but were never nearly as high.

Given the extent to which the high cost of credit must have been preventing commercial farmers and the small merchants who handled their produce and distributed imports from taking advantage of current business opportunities, especially by the early years of the 20th century, it is therefore not surprising that they hankered after a branch of the BIO in their locality. Thus, the merchants of Muğla asked for one in 1898, and those of Giresun did so three times between 1902 and 1905. When, in June 1905, the bank's representative arrived in Erzurum where merchants, anxious to escape from the "draconian conditions" imposed on them by the *sarrafs*, had unsuccessfully made the same request back in 1901, he reported with pardonable exaggeration that the entire population now wanted the BIO to come! Farther west it was the same. A branch manager sent to investigate Kütahya told the *direction générale*, "several merchants with whom I consulted on the welcome that would be extended to our project of installing ourselves in the town assured me that without exception local business would consider the opening of a branch of the bank as a great benefit." Likewise at Tekirdağ (1909) it was reported that everyone, save four wealthy capitalists and a few second-rank usurers, would regard the BIO as a "liberator" and "a precious help in the development of its commerce and industry."¹⁸

Insistent though the demand for modern banking facilities was becoming, both at the end of the 1880s and again in the early years of the 20th century, some special impetus was nevertheless required to overcome the view strongly held by both the committees and the *direction générale* that commercial banking in the provinces was fraught with hazard and generally best avoided. We shall see that in

1889–90 this was provided by the appointment of a new director-general with strong views and personality who was committed to the idea of extending the role of the bank in the economic life of the empire. In the years after 1900, however, it came from the advent of effective competition from other European-style banks.

We have already noticed that down to the end of the 1880s the BIO had had no rivals anywhere in the empire outside Istanbul, and it was the economic expansion of the following period that first led to their appearance there. By 1896 the *Crédit Lyonnais*, which had opened in the capital back in 1874, had branches in Izmir, Jerusalem, and Jaffa, and the more recently founded banks of Salonica and Mytilene (the former established in 1888 by Austrian, French, and indigenous capital, the latter in 1891 and mainly Greek) had appeared in Salonica and Monastir, and in Mytilene and Bandırma, respectively. It was, however, not until around or even after the turn of the century that competitive pressure became intense—especially in Istanbul, Izmir, and Salonica—as in each place an increasing number of new banks opened for business and began to multiply the number of their branches. By 1908 a total of seven or eight foreign banks with seventeen branches between them were operating in Istanbul, six in Izmir, and five in Salonica, besides the many indigenous bankers who provided the main source of competition at Beirut, and more were soon on the way. By 1912, indeed, there were no less than fourteen in the capital with twenty-seven branches, and nine in Izmir. In Salonica the field had already been overcrowded and no newcomers had arrived, but at Beirut the *Deutsche Palästina Bank* and the *Bank of Salonica* had joined the fray and the numbers continued to increase.¹⁹

The adverse effect this competition had upon the profits of the BIO's establishments in the main seaports was a major factor in directing its attention to other provincial centers where it was able to win business from the *şarrāfs* by offering cheaper credit, yet still charge rates of interest well above those that had come to prevail in the major cities of the Mediterranean seaboard.²⁰ But more than that it was the need to forestall the possibility of competition there too that to a large extent explains why, when the bank did once again begin to expand its branch network after 1903, it moved so quickly; and certainly this was a critical factor in determining the priority given to opening in one place as against another. The volume of business available in Ottoman towns of the second rank was not necessarily very large, for all the enthusiasm of the merchants that a bank be opened, and it was therefore all important to be first. Quite apart from the effect of competition in driving down discount rates, the rate of interest on advances, and so on, if a rival were permitted to get in first he could quickly establish himself in such a way that there would not be a great deal left over for any newcomer. Thus, as soon as they heard that the BIO was to open in Jerusalem, the *Crédit Lyonnais* and the *Deutsche Palästina Bank*, which were already established there, moved to make long-term agreements with their clientele. And it was for this reason, the *direction générale* heard, that “for important business we find ourselves in a situation of inferiority, which will only come to an end at the expiry of the existing contracts.” Not until 1913, did the Jerusalem agency ever make significant profits.

At Kavalla, too, where the bank opened in 1904, it had been forestalled by the *Bank of Salonica*, which thereby achieved a dominance that the BIO could never

destroy.²¹ In 1904, however, there were not yet many places outside the four main ports where such rivals had become ensconced. But the other banks operating in the Ottoman Empire were as well aware as the BIO of the opportunities beckoning in the provinces, and some of them were considering whether or not to open new agencies to exploit them. As more foreign banks opened in Istanbul, so the number of potential rivals grew, especially as each new arrival in the capital further intensified the competitive pressures there. Thus, in March 1905 the *direction générale* learned that the Bank of Athens, which had recently commenced business in Istanbul, and the Orient Bank, which was on the point of doing so, had both sent agents to make studies of Nazilli and Söke in western Anatolia, and that at least one of them was inclined to open at Bandırma. This led the BIO to take immediate steps to open in the two former locations, and to accept the offer of its long-standing correspondent in the last, Mr. Hiliades, to organize an agency there and act as its manager. "We share your opinion," wrote the Paris Committee to the *direction générale* by way of comment upon the annual report for 1905, the year in which these new establishments opened, "that it will be useful in the future to enlarge our network still further and to get a footing first in centers where competition may be intended." In the case of Giresun it was the threat of the local merchants to approach another bank that convinced the *direction générale* that they must indeed establish themselves there, and quickly. Much the same pattern of events occurred at Adapazarı, where the need to forestall the Deutsche Orient Bank led to the opening of a subagency in 1907. The possibility that the Deutsche Orient, which had already named a correspondent at Basra and begun dealings with several *şarrāfs* in Baghdad, would also open in Mosul, and that the Wiener Bank Verein might do likewise, also played a part in inducing the BIO to establish a branch in the last of these places in the same year.²²

Finally, some discussion is needed of a factor that was always potentially a constraint on the ability of the bank to expand its services in the provinces—the problem of recruiting appropriately qualified and experienced staff as branch managers. At the first establishment of the bank, it had certainly been difficult to find suitable men who could be safely entrusted with the management of the funds placed at their disposal, on the one hand by head office and on the other by their own clients. However, it does not seem to have been appreciated just how necessary it was to have the right kind of experience if a success was to be made of banking in entirely different conditions from those that prevailed in western Europe. All the early managers of the fully fledged branches were either British or French, and the results were disastrous. At one place after another in the mid and late 1860s, at Galati (1864), Beirut (1866), Izmir (1868–72) and worst of all at Salonica (beginning in 1869), extremely heavy losses were incurred that in every case were attributable to the mistakes and misjudgments of those in charge locally.²³ Apparently Westerners, even if not entirely new to the Levant, could not cope with the different commercial practices, different standards of commercial morality, the predilection for speculative investment, unexpected interruptions to economic activity, and highly unstable prices, against which they had to operate.

These facts had provided the context in which the BIO had concluded that branch banking in the provinces was best avoided altogether, except to provide a financial

service for the government. The development of a large branch network after 1890 thus depended critically on securing the services of managers who were at home with local conditions. In practice this meant members of the indigenous business class, almost all of them Christian,²⁴ or Westerners who had spent their entire careers in the Levant, usually having been born (although presumably not educated) there. It is not quite clear when the bank first adopted a policy of appointing local Christians to senior management positions, but it had not yet done so in 1875.²⁵ By 1891, however, out of a total of eleven branches on Ottoman territory, four (Edirne, Antalya, Damascus, and Larnaca) together with Sofia in Bulgaria, had managers of Ottoman nationality, there was a Greek at Uşak, and another seven, including two of the largest (Izmir and Beirut), had Ottomans in the second place in the managerial hierarchy. A decade or so later in 1902, out of twenty-five branches in the empire nine (including Beirut and Salonica) were in the hands of Ottoman managers, two (including Stambul) had managers who were Ottoman born although of Greek nationality, and at least one of the remaining managers was a Levantine despite his foreign nationality. Thirteen managers were, it is true, either British, French, Italian, or Austrian, but almost all of them had been born in the eastern Mediterranean, and only three in their supposed countries of origin. In 1914 at least forty-eight out of eighty branch managers had Ottoman, Greek, or protégé nationality status. Below the rank of manager the staff of the BIO was overwhelmingly composed of local Christians at all these three dates.²⁶

In the early 1890s policy in respect of new branches was still to a significant extent restrained by the difficulty of recruiting suitable staff in sufficient numbers, but in the much more sustained and rapid expansion of the early 20th century it does not seem to have been more than an occasional worry, at least until 1907.²⁷ However, if well-educated and competent local Christians had not been available in considerable numbers, and had not the bank been willing to employ them,²⁸ in neither period could the BIO have extended its operations into the provinces in the way that it did. To this extent, therefore, the development of modern banking in the Ottoman world was made possible by the expansion of educational provision for non-Muslims over the previous generation and more. It also depended to a lesser extent upon the emergence of a group of families that were British, French, German, Austrian, and Italian in origin, who had settled in the Levant, who sent their offspring home to complete their education but otherwise lived out their lives there, sometimes in several successive generations, and were therefore totally familiar with its ways. In 1912, it is true, staffing difficulties did reemerge as a serious, albeit temporary, constraint on the rate at which new branches could be opened, but this was only owing to the decision of the government during the Turco-Italian war to expel from its territory all those with Italian citizenship.²⁹

Having dealt with the general considerations that shaped BIO policy in respect of commercial operations in the provinces, we may now turn to trace the evolution of its policy in the quarter century after 1889. In that year the bank already had a total of twenty establishments in the Levant besides the head office, but three of these were in Egypt, three in Cyprus, and one in Bulgaria, so that there were only thirteen in the empire proper. One of these, Stambul, was (like the head office) in the capital, which left no more than a round dozen in the Ottoman provinces.³⁰

Moreover, of these only Izmir and its subagencies, together with Salonica and Beirut, had a significant volume of ordinary commercial business: the rest were almost exclusively concerned with the handling of government money. The overwhelming importance to the bank of its dealings with the government, and the relative insignificance of the branches, is shown by the fact that over the five years 1885–89 when total profits averaged T £450,922 per annum, nearly three-quarters (T £312,580) derived from head office compared with less than one-eighth (11.5% or T £51,960) from the branches in the empire excluding Egypt.³¹

The autumn of 1889, however, saw the arrival at the head office of a new director-general, Sir Edgar Vincent, ex-financial adviser to the Khedive, who had been appointed specifically to overhaul the organization of the bank and to improve its performance. In a whole series of ways he set out deliberately to break with the policies and practices of his predecessors, and an important aspect of his new approach was to take a much more positive view of the branch network. Far from considering branches to be potential liabilities, he felt they ought to be able to make a valuable contribution to total profitability. He therefore encouraged his managers to expand their purely commercial operations, which on its own represented a clear departure from the limited role, little more than collecting and remitting tax revenues and conducting exchange operations, to which the bank had confined itself in the provinces for many years past. Even more strikingly he proceeded to open a number of new branches, more by a large margin than in any comparable period since the establishment of the bank.³²

In doing this Vincent was, to start with, simply responding to requests emanating from the Maliye (Finance Ministry), which was anxious to make more systematic use of the services of the BIO in handling tax revenues. At the time of his arrival in Istanbul the bank was providing facilities for the government in only eight out of the empire's thirty or so vilayets, which still left the authorities without regular banking services in several economically important and fiscally productive provinces. Besides, given the size of the Ottoman vilayets, and the poor communications within them, until there was a branch, not merely in the headquarters town of a vilayet, but also in each of its constituent sanjaks, it was impossible that all the tax revenue collected within its boundaries should be paid into and disbursed by the bank.

The initial request which reached Vincent, therefore, was for more branches within the vilayet of Aydın, economically the most important in Anatolia, so that there at least the government could count upon a complete service.³³ Under the convention signed in 1886 the bank was supposed to receive a subvention of T £2,500 for each of the next five branches it opened, a generous enough provision for overheads to make it possible for losses to be avoided in almost any circumstances.³⁴ Subagencies, however, did not carry a subsidy, and it was probably because the government wished to avoid making the payment that when, during the course of 1890, the bank opened in Muğla and Denizli in the two out of a total of five sanjaks in Aydın vilayet where it had hitherto been unrepresented, the new establishments did not have full branch status. But lack of any subsidy meant that they would have to pay their own way by developing a substantial volume of commercial business, and it was quickly apparent that they would not do so. In 1891, therefore, they closed

because it had become clear “by a year’s experiment that these two localities do not offer business opportunities sufficient to justify the existence of branches of our establishment.”³⁵ In their place the bank tried in neighboring Hudavendigâr vilayet, opening at Balıkesir and at Uşak. At the former, which at this stage was an administrative center and local market town but not a great deal else, the same story was repeated and Balıkesir closed in 1892; but at Uşak, which had some wider commercial significance as the center of an important carpet producing district, the new branch survived.³⁶ However, between 1891 and 1894 came a far more dramatic geographical expansion: beyond the western fringes of Anatolia to the Black Sea ports of Samsun and Trabzon, to the Mediterranean coast at Mersin, into the deep interior of Anatolia at Ankara (terminus of the new Anatolian railway), to Aleppo, and to both Baghdad and Basra in far-off Iraq. Within the same period, much nearer to home, a bureau or “office” was also opened in Pera which, together with the head office in Galata and the Stambul branch, gave the BIO three separate establishments in the capital.

In a letter to the Finance Ministry written in September 1892 the *direction générale* claimed that most of the new branches opened in the previous few years had been created “at the express request of the government.”³⁷ But whereas Muğla, Denizli, and Balıkesir in particular were places of minor commercial importance where the bank is most unlikely to have established itself without such a specific request, this was not true of the towns mentioned toward the end of the last paragraph. It is true that all of them (Pera apart) were either the headquarters of important vilayets or ports generating substantial customs revenues, in which the government would certainly have wanted the services of the bank to be available. But in the case of Baghdad the internal annual report for 1892 made it perfectly clear that this was only a subsidiary motive for the opening of a branch. The main one was that Baghdad was a major commercial center, and by opening there the bank was extending its operations into a part of the empire that hitherto it had neglected.³⁸ Sir Edgar Vincent and his advisers had determined to extend the role of the bank in the economic life of the empire and, at the same time, to ensure that the branches made a real contribution to the overall performance of the BIO. They had therefore identified those places where ordinary banking operations stood the best chance of yielding good returns, and then proceeded systematically to open branches in one after the other.

The intention of Vincent’s new policy in respect of branches was clearly set out by the *direction générale* in 1895 as being:

to transform our bank (which has been seen as a bank of issue, investing the bulk of its resources in advances to the government) into a more frankly commercial establishment whose principal role will be to collect up surplus capital by means of deposits, the credit balances on current accounts etc., and to use it to provide the facilities necessary for the commerce of the country.³⁹

However, such facilities had to yield profits, or at any rate the prospect of profits, within a very short period if they were to remain on offer, for as the cases of Muğla, Denizli, and Balıkesir had already shown, where these did not seem likely to materialize Vincent was as ready to close down a new branch as he had been to

set it up in the first place. In fact none of the new establishments made much money at first, and several lost a substantial amount. As a result Basra, opened in January 1894, was allowed only eleven months of existence, and by the middle of 1895 Ankara too was being regarded as a possible candidate for closure.⁴⁰ It would appear, therefore, that down to this time the revival of the Ottoman economy had not yet developed sufficient momentum for a significant demand for modern banking services to have appeared even in places of considerable importance.

By 1895, therefore, the policy of systematic expansion into the provinces was already faltering. Then, in November of that year, there was a sustained run on the bank in Istanbul that happened as a result of the political and economic crisis created by the Armenian massacres.⁴¹ This left the BIO reeling, and one of the measures of retrenchment considered by a badly shaken management was the liquidation of up to one-third of the entire network: not only Ankara, but all three Cyprus establishments, together with Antalya, Adana, Trabzon, Aleppo, and Port Said as well.⁴² In the event the committees did not consider such a drastic measure to be necessary, and the only immediate casualties of the crisis were subsidiary establishments of the bank in Istanbul itself. The rest of the network was left unscathed, but the policy of developing the commercial aspect of the bank's business at the expense of the governmental aspects was explicitly abandoned. For several years, therefore, the branch managers, except for those of Alexandria and (to a lesser extent) Izmir, Salonica, and Beirut, were not permitted to undertake a great deal of commercial business and as a result were unable to play any significant role in local economic life.

Moreover, after the two more years of economic depression and political crisis that followed 1895, the question of closures to economize on staff and to release capital arose again in the later part of 1897, Vincent by this time having departed and been replaced by Sir Hamilton Lang whose role was more that of a first among equals in a collective *direction générale*. On this occasion Baghdad, where losses were mounting and whose affairs were proving difficult to monitor on account of its distance from Istanbul, was a candidate, as (once again) were the Cypriot establishments. But the obvious political importance of the former branch deterred the bank from formally proposing its closure to the government, while the anxiety of the British colonial authorities to keep the BIO in Cyprus led the London Committee to persuade the *direction générale* to modify its intentions in that quarter. So Limasol was closed altogether, but Nicosia survived, albeit as a mere office, and Larnaca continued to have full branch status.⁴³ In the end, therefore, the only important contraction to the network, which in fact occurred at this time—the bank's total withdrawal from Bulgaria—was not undertaken voluntarily, but was forced on the BIO by external pressure in the form of a new set of banking regulations with which the *direction générale* did not feel it was feasible to comply.⁴⁴

By the early years of the new century, however, the economic and political difficulties that had given rise to suggestions that the branch network should be pruned back had passed away. Profits from the branches in Turkey and Cyprus rose steadily from 1897 onward. This was partly in response to a relaxation of the more extreme restrictions, imposed in the aftermath of the 1895 crisis, on the business the branches were allowed to undertake, but it was also partly because of the expansion of economic activity resulting from the growth in the volume of overseas trade, especially

after the turn of the century.⁴⁵ It was, however, several years before Lang and his colleagues felt confident that this upward movement in profits was likely to continue, and during that time their attitude to the branches remained extremely cautious. Thus, when, in late 1897, an inspector reporting on Bursa suggested that its functioning could be much improved by the opening of simple offices at neighboring towns such as Bandırma, Bilecik, and Eskişehir to take in government moneys and with them buy good commercial paper, the response was that the same ends could be achieved by an agreement with the tobacco *Regié* that its agents should act on behalf of the BIO in those places.⁴⁶

For political reasons, however, a request from the government that a new branch be opened might be difficult to refuse, and anyway the prospect of being entrusted with the transmission of substantial additional revenues to Istanbul, especially if a subvention was to be forthcoming to cover the overheads, offered the prospect of almost risk-free profits. This happened in 1899 when the government was faced with the need for an advance to discharge arrears of the installments due on account of the Russian war indemnity that had been imposed on the empire by the peace treaty of 1879,⁴⁷ and wished to make a more satisfactory provision for its regular payment in the future. It therefore offered the bank an arrangement that involved giving it the exclusive right to encash the revenues of the five Anatolian vilayets of Konya, Adana, Ankara, Sivas, and Kastamonu. There were already branches in the headquarter towns of the first three of these provinces, but not in the latter two, so that acceptance of the proposal implied the opening of new ones there. "This plan seems to us to be extremely interesting," wrote the *direction générale* enthusiastically. The bank would acquire the exclusive right to handle revenues worth perhaps T £875,000 a year, and quite apart from the material value of doing this, it would convey "a great moral advantage," presumably over indigenous rivals. So even though the Finance Ministry was willing to pay a subvention of T £1,000 for only one of the two new branches, and although the *direction générale* did not believe that commercial conditions in the regions in question were such as to provide them with much ordinary business, neither they nor the committees had any hesitation about accepting a deal along these lines. The bank therefore opened at Sivas and Kastamonu the same year.⁴⁸ A few years later, in February 1903, the Ottoman government found itself needing proper banking facilities in Macedonia as an adjunct to the administrative and financial changes that, under international pressure, it was being obliged to make there. Of the three vilayets into which the region was divided, Salonica of course already had a branch, but Kossovo and Monastir did not, and the BIO was accordingly asked to open in the towns of Üsküp and Monastir. Once again it readily agreed to do so.⁴⁹

However, in these years unless government business and a government subsidy were involved the *direction générale* remained almost entirely impervious to suggestions that it expand the geographical spread of its operations. Thus when, in July 1898, the merchants of Muğla had requested the reopening of a branch whose services they had briefly enjoyed some years earlier, their petition was brushed aside without discussion. The BIO continued to maintain this attitude, moreover, even after the turn of the century when the revival of economic activity was clearly leading to an increased demand for banking services and suggestions for new

branches, subagencies, or offices were reaching the *direction générale* with increasing frequency. Some, such as those from Erzurum (1901) and Giresun (1902), came from groups of local merchants. Others came from European concerns operating in Turkey, such as the Heraclea Mining Company, which in 1900 suggested an office at Zonguldak, the port from which it shipped its coal; and the Oriental Railway Company which (also in 1900) repeated a past suggestion for one in the port and railway town of Dedeağaç. Others again came from the bank's own branch directors who were becoming conscious of expanding business opportunities and were anxious to exploit them. Thus, in July 1900 M. Baldassare of the Mytilene subagency proposed a wide extension of his operations both to the mainland at Edremit and Aivalik, and to other islands in the Aegean, with offices to be opened on Samos, Chios, Calymnos, and elsewhere. A year later it was the turn of Stambul to suggest opening offices at Ismit, Adapazarı, and Geyve, so as to promote the expansion of its business in making advances on cereals and mohair in the part of Anatolia nearest to the capital.⁵⁰

Of all these various suggestions made to it in the few years on either side of 1900, however, the *direction générale* saw fit to act upon only three, and of these two involved reoccupying ground formerly held and evacuated in the recent past. The only entirely new outpost established was the office at Derince near Ismit where the Anatolian Railway Company had decided to locate warehouses for the storage of goods it had transported, and whose use it wanted to encourage by making financial services easily available there. The company undertook to provide premises for the bank, to guarantee the quantities of the goods upon which money was to be advanced, to deliver the receipts, and so on, leaving the BIO little to do save make the advances and enjoy the profits. Again, this was nearly risk-free banking, and very cautiously the *direction générale* sought permission from the committees to try it for a few months by way of experiment in July 1899.⁵¹

At both the places reoccupied, moreover, a special factor was in operation that served to overcome the bank's reluctance to undertake additional responsibilities in the provinces. This was the threat of competition from a rival European concern. At Afyon, where the BIO had closed an office in 1880, the ground had never been entirely abandoned, for it had continued to do business there through a correspondent, receiving government revenues and purchasing small amounts of paper deriving from the opium trade. More recently, however, the importance of the town had been greatly enhanced by the fact that the Eskişehir–Konya branch of the Anatolian Railway had been built through it, and in late 1897 it had also become the terminus of the eastward extension of the Izmir–Kasaba Company's line. This had seemingly interested the Bank of Salonica. Aslanian Frères, the firm of which the BIO's correspondent was a member, also represented the rival bank and by 1899 was beginning to promote the latter's business in a way that the *direction générale* felt was threatening their interests. It was therefore decided to authorize a fully fledged branch to forestall further problems. However, far from striking out boldly to seize business, in its first year of functioning the new agency did not make any loans and confined itself strictly to the transmission of government revenue receipts.⁵² At Lissol the closing of the subagency in 1898 had quickly proved to have been a mistake. Not only had perfectly good business been abandoned, but the local merchant whom the bank had appointed to represent it, Mr. Rossides, had begun to act as a

banker on his own account, and it was largely to nip his plans in the bud that the bank reopened its doors in the town in 1900. Once again the essentially defensive nature of the move is made clear by the fact that the consent of the committees was given on the understanding that the new office was only to collect bills and sell drafts for Larnaca, and was not to have a separate capital of its own.⁵³

Between 1902 and 1904, however, the bank's attitude toward its branch network underwent a gradual but complete change, and there can be no doubt that this reflected renewed growth in the Ottoman economy. The depression of 1894–97 had given way to better times well before the end of the century. Helped by a series of good harvests and growing demand for primary products in the markets of the West, exports rose continuously for five years in succession from a low point in 1898 and, with only a slight hiatus in 1904, continued to do so until 1907, when in value terms they stood 50 percent above the average for the decade of the 1890s. Meanwhile, the value of imports stood some 68 percent higher.⁵⁴ Initially, as we have seen, the *direction générale* of the BIO remained very cautious in responding to this, but once they were convinced that the increased economic activity was more than just a flash in the pan they began to show an interest in the opportunities it offered. Only then, however, was the policy initiated by Vincent in the early 1890s but abandoned in 1895—of making the BIO more of a commercial bank and less of a governmental one—wholeheartedly resumed.

From the bank's point of view there were two ways in which these widening opportunities could be exploited at branch level. One was for the established agencies to enlarge the volume of their lending. The other was to open new establishments to tap opportunities that lay in districts where the bank had formerly not operated at all, or had done so only indirectly and on a limited scale through a correspondent. In practice both forms of expansion were pursued. The managers of the larger agencies were given a greater freedom to exploit the business available to them, and the making of advances was encouraged in the smaller ones where previously this had been almost entirely ignored and indeed, in most circumstances, prohibited altogether. Thus, by July 1901 Assistant Director-General Gaston Auboyneau was already willing to agree with Inspector Durastel on "the unduly administrative character that our branches in the interior have given to their operations."⁵⁵ Down to the turn of the century, the rising level of profits from the agencies was mainly attributable to exchange operations and commission; in other words, they derived mainly from governmental business. However, the amount of their advances to commercial customers was rising and after the turn of the century became the main feature of their activity. But whatever the source, their profits grew year by year as is shown by Table 1.

By the early months of 1903, therefore, the *direction générale* was taking a much more positive line in respect of the branches than it had done for nearly a decade. It proclaimed confidently:

The upwards march of the results given by our Turkish branches makes us incline more and more towards an extension of our activity in the provinces, and we believe that the creation of branches in certain business centers which until now have remained unexploited would reinforce the profits we draw from our existing branches.⁵⁶

The committees accepted the *direction générale's* reasoning, and to turn their aspirations into reality the latter responded in two ways. On the one hand, the more

TABLE 1 *Agency profits, Turkey and Cyprus (in T £)^a*

	1897	1898	1899	1900	1901	1902	1903	1904
The four large agencies ^b	28,165	27,182	35,830	42,732	41,481	45,296	52,114	49,555
Others	1,724	11,138	20,249	29,728	38,387	40,136	46,867	59,623
Total	26,441	38,320	56,079	72,460	79,868	85,432	98,981	109,178

^aT £1 = approximately U.K. £0.9.

^bStambul, Salonica, Izmir, and Beirut.

Source: BPA, *Comptes-rendus hebdomadaires des séances du comité de direction, 1898–1905*.

convincing of the steadily increasing stream of proposals for an expansion of branch activity were referred back to their authors, or to some other bank official, for a detailed assessment and in the hope that they would be able to recommend to the committees that the bank should open there, rather than (as had undoubtedly sometimes been the case in the past) to find reasons why it should not.⁵⁷ And on the other hand, because no proposals seem to have been forthcoming spontaneously from those regions, the inspectors were instructed to prepare a report on the prospects for new branches in Syria and Palestine.⁵⁸ Already by the end of 1903 an office (converted to a subagency the following year) had been opened at Dedeağaç in Rumelia; sanction had been secured for two new branches, one at Eskişehir and the other at Basra, and the preparation of a proposal for a new subbranch at Kavalla, also in Rumelia and an important center for the tobacco trade, was far advanced.⁵⁹

A major factor behind the new policy of extending the size of the branch network was that it was fast becoming apparent that the bank could no longer freely choose between developing a larger volume of business in places where it was already established and pursuing new opportunities in places where it was not. In the last three years of the 19th century the four largest and most important branches of the BIO in Turkey and Cyprus—Stambul, Salonica, Izmir, and Beirut—between them contributed three-quarters (75.4%) of the profits earned by a network of some twenty-five establishments. Now, however, as a result of the growth of competition from more recently established banks, they could no longer be relied upon to maintain their contribution. The effect of this intensified competition upon their profits was unmistakable. At Salonica profits showed no upward trend in the late 1890s, and after the turn of the century were actually falling, from an average of T £9,484 a year in 1897–99 to only T £1,753 a year in 1909–11. At Izmir profits continued to increase until 1903 when they reached T £15,793 and then began to decline to an average of little over T £9,000 a year by 1909–11. A similar decline set in at Stambul after 1904. At Beirut, although the upward trend continued, it was punctuated by a series of sharp reversals. Away from the four main seaports the smaller agencies, untroubled by competitors, returned profits that, although small individually, were growing strongly. Samsun and Trabzon, for instance, recorded profits of only T £169 and T £404, respectively, in 1897, but T £5,367 and T £5,726 by 1904; Mersin and Adana had improved their profits from T £520 and T £618 to T £3,545 and T £2,464 for the same period; and Aleppo had converted a loss of T £229 into

a profit of T £7,814.⁶⁰ The net effect of these developments is summarized in Table 1. By the second half of 1904 at the latest, therefore, the *direction générale* was left in no doubt that increased profits at branch level would come much more easily, perhaps only, from establishments in places that until only a few years before had been regarded as unimportant and from places that had hitherto been neglected altogether.

Meanwhile local managers in the provinces took encouragement from the vigorous economic activity around them and the manifest demand for liquid capital to finance it, and from the more favorable attitude toward them at head office. Accordingly, both they and the bank's inspectors came up with an increasing number of proposals, not only for enlarging the volume of lending to clients in their immediate vicinity but also for expanding the geographical scope of their business. A good example is provided by the Samsun manager, who in 1903 successfully applied for authorization to extend his operations to several of the smaller ports both to the east and to the west along the Black Sea coast—notably to İnebolu, Sinop, Ordu, and Giresun—and who, a couple of years later, was empowered to undertake further operations at Ordu, and to seek business at Ünye.⁶¹ There were plenty of other similar instances.

However, proposals such as these were to undertake a limited amount of one particular type of business in places close to, or at least easily accessible from, an established branch. If a larger volume or a wider range of activities seemed to offer, or the place lay further afield, then the possibility of a permanent establishment—office, subagency, or full agency, according to circumstances—might arise. And in fact the inspiration for the great majority of the new establishments created in the years after 1904, at least until 1911, derived from the expansionist ambitions of the managers of existing agencies. Of the five subagencies and agencies opened in 1904, Dedeğaç arose out of Edirne's desire to extend its business to its nearest outlet to the sea; Kavalla out of Salonica's interest in that rapidly expanding tobacco port; Basra from Baghdad's desire to take advantage of the increasing commercial activity in the other great city of Iraq; and Eskişehir from the interest of both Bursa, and more particularly Ankara, in the fast growing town at the junction on the Anatolian Railway. As for the fifth, Tripoli in Syria, it was established on the strength of the report into the prospects for the BIO in that region commissioned the year before.⁶²

During the next three years (1905–7), when a total of seventeen new establishments were opened, it was a similar story in at least seven cases (Nazilli, Bilecik, Kütahya, Xanthi, Antep, Famagusta, Silifke), with three more (Jerusalem, Jaffa, and Haifa) owing their inception to the report just mentioned, and three others (Giresun and Adapazarı in Anatolia, and Mosul in Iraq) to the direct solicitation of the merchant community in those places.⁶³ However, by no means all the proposals made to the *direction générale* at this time were accepted, and indeed its attitude, although unquestionably positive, continued to be cautious. Thus, the report on Syria recommended agencies at both Jerusalem and Jaffa, a subagency at Tripoli, and offices at Saida, Haifa, Hama, and Homs. However, the *direction générale* concluded (June 1904) that one full agency, which for prestige reasons would have to be at Jerusalem even though it was commercially less important than Jaffa, and

subagencies at Jaffa and Tripoli, would be sufficient. It only came round to the idea of Haifa eighteen months later when the Hijaz Railway Company had opened its line to the town, and the other places had to wait several more years.⁶⁴

By the beginning of 1906, however, as the financial results of the previous year came in and confirmed that the new creations were continuing to perform most encouragingly, the *direction générale* became rather more bold. The annual report for 1905, completed in the spring of 1906, told of two new agencies (Kütahya and Xanthi) already opened since the new year, and of five more in the pipeline (Tripoli in Libya, Erzurum, Haifa, Antep, and Giresun), and the relevant section concludes with the assertion, "We are of the opinion that we should continue to pursue this task of development at all points in the Empire that remain unexploited and which, after preliminary study, appear interesting."⁶⁵ The bank's newly found confidence in the possibility of making profits from commercial banking operations in even the more remote of the provincial towns of the empire was such that, by this stage, it was not only willing but anxious to open in Erzurum and Tripoli in Libya, at both of which (being the headquarters of vilayets) the Ottoman authorities had wanted branches for years and which the *direction générale* had previously refused to contemplate without a subsidy. In the case of Erzurum, the *direction générale* had allowed themselves to be so thoroughly convinced by the report on its commercial prospects they had received that, when the London office wrote to say that it was unwilling to concur in the decision to open until it had heard from the Finance Ministry whether a subsidy would be forthcoming, they responded that the reply was irrelevant because the branch was justifiable in any event.⁶⁶

It would have been difficult, perhaps impossible, for the bank to have continued to establish new branches as rapidly as it did in 1904–6, if only because of the problem of finding competent and experienced staff for them. However, in any case, an abrupt change in economic conditions in the Levant led the *direction générale* to apply the brakes to the development of branch operations as a whole. Superimposed upon the international financial crisis of 1907 came a major failure of the grain harvest and a substantial reduction in the yield of a number of other crops as well, across all or most of the empire. This produced the worst possible scenario for the export economy: a substantial drop in the volume of exports at the very time when external factors ensured that overseas demand for them was weak and prices consequently unusually low. The result was a sharp drop in the level of economic activity.⁶⁷

As a result of these events only two new establishments were opened in 1907, compared with ten the year before: Adapazarı, which had already begun business before the crisis broke in April, and Mosul, preparations for whose opening had by then gone too far to be reversed. Nor was the *direction générale* willing to resume the policy of expansion until the economic climate had fully recovered, and this took three years. In 1908, therefore, there was only the new office at Homs, which as noted earlier had been approved in 1907, and the transfer of the office at Silifke, which had not flourished, to what was hoped would be a more promising location at Tarsus, where it was reopened as a subagency.⁶⁸ By February 1909 an ambitious program of establishing new outposts was contemplated,⁶⁹ but first the unsuccessful counterrevolution in Istanbul in the spring, the Adana massacre, and then the poor harvest prospects, led these plans to be shelved except in the case of a subagency at Gömülcine (Komotini). This last was on the railway east of Xanthi and was judged to be a necessity if the

Xanthi agency was to be able to cope with the fierce competition it was encountering from the banks of Salonica and of Athens. In addition, the *direction générale* yielded to pressure from the newly assertive Young Turk government to open an agency that had not been high on its own list of priorities at Tekirdağ, a decayed but potentially important port on the Rumelian shore of the Sea of Marmara.⁷⁰ However, not until early 1910, when it seemed that at last business confidence in the Levant had been fully restored and the prospects for the following harvest were good, did the *direction générale* return willingly to its program of expansion.

The bank had, however, only been waiting for times to become opportune again, for by 1909–10, even more than in 1904–6, an extension of branch operations and the establishment of as many new branches as possible seemed to be the best, indeed the only, sure way forward to increased profits. For a start there was good reason for thinking that under the new regime things would be more difficult for the bank as a whole, and certainly the profits to be derived by the agencies from handling the financial affairs of the government would be reduced. The profit prospects of the four large Turkish agencies appeared to be more depressing than ever, and even more serious was the fact that Alexandria, for so long the most lucrative element in the entire branch network and often yielding more than most of the rest put together, could no longer be relied upon as in the past. The crisis of 1907 had been particularly severe in Egypt, and in its aftermath the opportunities for profitable operations there were much narrower than before. The year 1909 was also very bad for Stambul, Salonica, Izmir, and Beirut, which collectively returned the lowest figures for more than a decade, with only Beirut holding its own.⁷¹ At all these places competition was the principal problem, and it was certain to get worse as the more enterprising and ambitious of the BIO's foreign rivals—particularly the banks of Salonica, Mytilene, and Athens, and the Deutsche Orient Bank—could themselves now be expected to resume the development of a branch network within the empire that they had begun in the years before 1908.

For the BIO the experience of the new agencies that had opened since 1904 had shown that even relatively small places could often yield gratifying financial results within a very short time. The twenty new establishments opened in the years 1904–6 had between them added T £10,350 to the bank's total profits in 1906 but as much as T £37,140 in 1910, despite the difficult economic conditions prevailing during most of the intervening period. Some indeed had done spectacularly well. Haifa, for instance, had returned profits of T £225 in 1906 and T £5,180 in 1910, Kavalla T £312 and T £3,468, and Giresun had turned a loss of T £305 in 1906 to a profit of T £3,702 in 1910.⁷² In aggregate, therefore, the new agencies had come to make an increasingly useful contribution to the overall performance of the bank, and the *direction générale* therefore pressed the case for further expansion on the committees.

The proofs that we have recently had of the earning power of all the small places in the interior which have been established for the last three or four years permits us to recommend without hesitation the direct exploitation by the Imperial Ottoman Bank of all localities where a sound basis for banking operations exists.⁷³

The BIO was, in other words, not only willing but anxious to open in virtually every place in the empire where there was any significant commercial activity, and it had every reason to do so as soon as possible, to obviate the risk of being forestalled

by its rivals. This certainly tuned in well with the aspiration of the new regime that banking services should be made more widely available in the empire, in the interests of both improved efficiency of financial administration and the development of the economy. The Finance Ministry thus acted as a clearing house for a growing volume of official requests, some of them coming from vilayet or sanjak level and others from within the central government, that branches should be opened in particular places. Altogether between the revolution of 1908 and the coming of war in 1914 the *direction générale* took cognizance of requests involving between forty and fifty different localities!⁷⁴ The bank, however, obviously wished to open first in those places where it believed the commercial prospects to be most promising, and these were not necessarily those that the government, with motives that were often primarily political, regarded as the most urgent. In some cases the priorities of the *direction générale* and the ministry certainly coincided. Thus at Benghazi in North Africa, the concern of the bank to open there to support the operations of its Tripoli branch, and to cope more effectively with the competition of the Banco di Roma in both places, coincided exactly with the attitude of the Ottoman authorities “who are seeking by all means to counteract relations between the indigenous inhabitants and the Italian element.”⁷⁵

At the other end of the spectrum there were a few instances where the bank made a quite definitive refusal to the government’s proposals. Medina, a holy city of Islam where non-Muslim staff could not be sent, was one such case (1910): in 1913 the bank even refused to nominate a correspondent there on the grounds that any kind of control would be impossible. Gjirokastro in troubled Albania was another.⁷⁶ But for the most part differences between the bank and the government were really only about priorities and timing, and when the latter made requests that could not conveniently be complied with in the immediate future the response of the *direction générale* was delay or prevarication rather than rejection.

However even prevarication reflected the fact that the *direction générale* was at this stage being as accommodating to the government as was practicable, and although this was to some extent dictated by prudence, given the new and more abrasive political climate, it also reflected the fact that the bank and the Finance Ministry had essentially the same objectives. Certainly the negotiations preceding the signing of the new sexennial convention in February 1911 show the bank as being more than willing to compromise. The government wished to take advantage of the need for a new accord to get the *direction générale* to agree to an early opening in places that would not be so high on their list of priorities as on that of the ministry. Above all it wanted to secure an agency in the headquarter towns of all those vilayets that did not yet have one, and this inevitably included a number of places where little in the way of ordinary commercial business could be expected. Faced with the finance minister’s desire that the bank should set up branches at Diyarbekır and Urfa in the Anatolian–Syrian border region, the *direction générale* bravely agreed to study both “with a sincere desire to give a favorable response if possible.” As for Deyr-el-Zor, the headquarters of a separate sanjak in northern Syria, they tried to convince the minister of the *quasi-inutilité* of a branch there, but promised to reexamine the matter if he should insist. Rhodes, headquarters of the vilayet of the Archipelago, the bank regarded as particularly hopeless. The management committee at the head office recorded in its minutes:

“This place offering no commercial opportunities the *direction générale* replies to the Finance Ministry that it regrets it is unable to give effect to its proposal.” But at the last minute the newly appointed director-general, Paul Révoil, offered to open not only the ten new agencies of the government’s choice that had hitherto formed the basis of negotiations, but two more, making twelve in all, and the final list, although it omitted Deyr-el-Zor, included Mamuretülaziz (to be located at the town of Mezere), Diyarbekir, and Urfa, as well as Rhodes. Even more remarkably it also included Jidda and Hodeida, whose climate and extreme remoteness from Istanbul rendered them particularly difficult locations from the bank’s point of view.⁷⁷

Meanwhile, the bank had its own list of places where it wanted to become established, all of them without exception, it seems, suggested either by the managers of existing branches or by the inspectors. Most of the new openings of 1910 represented the bank’s own choices. Kayseri, Balikesir, and İnebolu, for instance, had originally been proposed by the managers of Ankara, Bandırma, and Kastamonu, respectively, and had already been authorized in February 1909. Likewise Drama and Serrai were both suggested by the Kavalla branch, still fighting a ferociously competitive battle for the business available in eastern Macedonia, especially that arising from the export of tobacco.⁷⁸ Once the convention of February 1911 had been signed, however, the bank temporarily lost its freedom of action, because the large number of places at which it was now specifically committed to establishing branches meant that it would scarcely be practicable to find staff for any others for some time to come. In the end right down to the outbreak of war in August 1914 although a couple of subagencies at Sandıklı and Söke, and several offices, were opened in response to the demands of existing agencies, İskenderun was the only full fledged new agency to be created beyond those listed in the 1911 convention.⁷⁹

This was not through any loss of willingness to continue expansion, however; the will remained but the means were lacking. Thus, in July 1911 the *direction générale* accepted the proposal of an inspector who had visited the newly opened branch at Ioanina that it should be supported by subagencies at the ports of Preveza and Valona, but, despite a determination to proceed, nothing was done. And in the next couple of years a whole succession of other proposals—for a new sub-agency at Tirebolu on the Black Sea coast and for offices at Ayas on the Cilician coast and at Junieh in Mount Lebanon among others—were all either approved but not implemented or laid to one side for the moment “by reason of circumstances.”⁸⁰ The problem was the impossibility of providing the necessary staff when, on top of the need to find the personnel for the new agencies agreed to in the 1911 convention, there came the dislocation caused by the government’s decision, taken as a result of the war with Italy that began late in September 1911, to expell all Italian subjects from the empire. Altogether the bank had about 100 members of staff with Italian nationality, all of whom had to leave. Many were transferred to branches in Egypt and Cyprus, but in the Turkish network there was considerable dislocation because many had held key positions, and an overall shortage of experienced personnel could not be made good by taking in large numbers of untrained recruits.⁸¹ Besides, the background of almost continuous crisis extending over nearly two years from the Italian invasion of Libya to the

conclusion of the Second Balkan War in the late summer of 1913 was not one in which the *direction générale* could continue to see the establishment of new branches as a high priority. Indeed the loss of territory by the empire, first in North Africa and then in Rumelia, raised the question of whether the BIO could continue its operations there under the new rulers or whether branches—a considerable number of them—would have to be closed.

For the last two and a half years or so before the onset of war in August 1914 the bank was thus concerned as much or more with the question of closures as it was with new openings. But had the period of peace after the Second Balkan War been longer there is no doubt that its expansion into more and more Ottoman towns would have continued. By the summer of 1914, with the Dardanelles agency at Çanakkale at last opened, the program envisaged in the February 1911 convention had been completed,⁸² and there was a long backlog of proposals, both from within the bank and from the authorities, to be implemented. The opening of an agency at Tokat in central Anatolia had been fixed for August 1914,⁸³ but as far as the bank itself was concerned interest in Anatolia, which had clearly been predominant for many years, seems to have been giving way to a greater concern with Syria. In January, a branch had been opened at the port of İskenderun, soon to be linked by a branch to the main line of the Baghdad Railway. The Haifa agency, having secured authorization to open an office at Akka (June 1914) was also pressing for subagencies or offices at Nablus and elsewhere. Long-standing plans of the Beirut branch for an office at Zahle had at last become reality in July, and its proposals for another at Latakia were under study.⁸⁴ Clearly the branch network of the BIO had in no way reached the limits of its expansion.

The outbreak of World War I meant the abandonment of further plans for expansion, with the opening at Tokat being postponed *sine die*.⁸⁵ All the same by that time the BIO had opened almost sixty new establishments in the previous ten years or so and had created a network whose scope may be seen at a glance on the accompanying map in Figure 1 (see also Table 2). The enhanced importance of the branches in the affairs of the bank is demonstrated by the fact that whereas in 1885–89 those of the empire proper and Cyprus had yielded profits equivalent to only 16.6 percent of those of the head office, by 1907–11 this proportion had increased to 43.08 percent. The profits of the head office were almost the same in 1907–11 (an average of T £312,150 per annum) as they had been in the later 1880s, but those of the branches had risen by more than two and a half times from T £51,960 to T £134,498 per annum.⁸⁶

This was an impressive performance. Nevertheless, to return to the question raised briefly at the start of the article, it cannot well be argued that the development by the BIO of this extensive network of branch banks had made a great contribution to the expansion of the export economy in the late 19th and early 20th centuries. As we have seen, most of the new establishments were only opened after the main growth spurt (of 1898–1907) was well under way, and they had only been operative for a year or two at most before the financial crisis of 1907 brought growth to a halt. The timing of expansion into the provinces by the other European banks, most of whose branches were created after, rather than before, the 1908 revolution, likewise makes it clear that modern banking outside Istanbul was

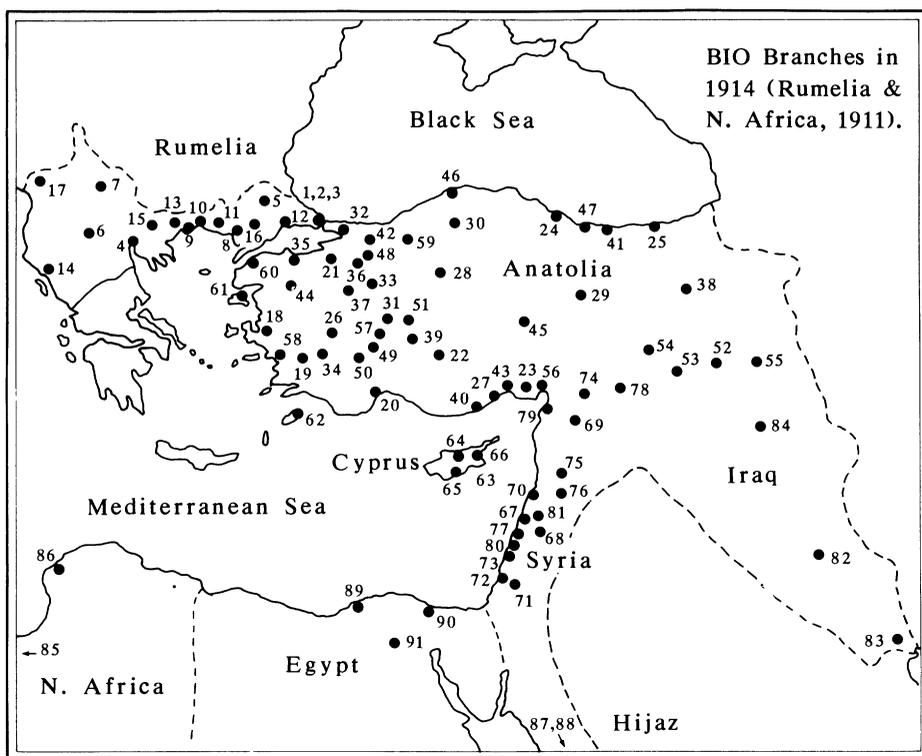


FIGURE 1. BIO branches in 1914 (Rumelia and North Africa, 1911). For key see Table 2.

rather a response to, than a cause of, economic growth. Most of the capital needed to permit the expansion of the foreign and domestic trade of the empire as late as the first years of the 20th century must therefore have been provided by the traditional banking sector, whose size does indeed seem to have expanded enormously during the years with which this article has been concerned.⁸⁷

In the years after 1907, however, the BIO had a sufficiently large and geographically widespread network for it to be able to provide the commercial community with resources on a scale that would certainly have been an important factor in the next period of expansion. In 1907 the agencies had been authorized to make advances totaling around T £4.25 million to their clients, most of whom were exporters or middlemen involved in the handling of export commodities; in 1910 the figure was T £4.684 million; and for 1914 T £5.7 million was projected.⁸⁸ The last figure was equivalent to one-fifth (20.9%) of the average value of all Ottoman exports over the years 1910–13,⁸⁹ and would have represented a powerful injection of liquidity into the Ottoman economy at a far lower cost to the borrowers than if it had been provided by the *şarrāfs*. Unfortunately, the outbreak of wars in 1911–12, and again in 1914, ensured that there would not be another period of accelerated economic growth in the Ottoman lands before the events of 1914–18 destroyed the old economic structures as completely as it destroyed the political ones. After so

TABLE 2 *Branches of the BIO 1908–14 (with dates of opening)*

Istanbul		49. Dinar (O)	1910
1. Head Office	1863	50. Denizli (O)	1910
2. Stambul	1886	51. Bolvadin (O)	1910
3. Pera (Beyoğlu)	1891	52. Bitlis	1911
Rumelia		53. Diyarbakır	1911
4. Salonica	1864	54. Mamuretülaziz (at Mezere)	1911
5. Edirne	1875	55. Van	1911
6. Monastir (Bitola)	1903***	56. Cehan (O)	1911
7. Üsküp (Skopje)	1903***	57. Sandıklı (S)	1912
8. Dedeağaç	1904***	58. Söke (S)	1912
9. Kavalla	1904	59. Bolu	1913
10. Xanthi	1906***	60. Çanakkale	1914
11. Gömülcine (Komotini)	1909***	Archipelago	
12. Tekirdağ	1910	61. Mytilene	1898
13. Drama	1910	62. Rhodes	1911
14. Ioanina	1910	Cyprus	
15. Serrai	1910	63. Larnaca	1864
16. Souflion (O)	1910***	64. Nicosia (O)	1878
17. Shkodër	1911	65. Limassol (O)	1879
Anatolia		66. Famagusta (O)	1906
18. İzmir	1863	Syria	
19. Aydın	1864	67. Beirut	1863
20. Antalya	1869	68. Damascus	1875
21. Bursa	1875	69. Aleppo	1893
22. Konya	1881	70. Tripoli (S)	1904
23. Adana	1889	71. Jerusalem	1905
24. Samsun	1891	72. Jaffa	1905
25. Trabzon	1891	73. Haifa	1906
26. Uşak	1891	74. Antep (Gaziantep)	1906
27. Mersin	1892	75. Homs (O)	1908
28. Ankara	1893	76. Hama (O)	1911
29. Sivas	1899	77. Saida (O)	1912
30. Kastamonu	1899	78. Urfa	1913
31. Afyon	1899	79. İskenderun (S)	1914
32. Derince	1899	80. Akka (O)	1914
33. Eskişehir	1904	81. Zahle (O)	1914
34. Nazilli	1905	Iraq	
35. Bandırma	1905	82. Baghdad	1892
36. Bilecik	1905	83. Basra	1904
37. Kütahya	1906	84. Mosul	1907
38. Erzurum	1906	North Africa	
39. Akşehir	1906	85. Tripoli	1906**
40. Silifke (O)	1906*	86. Benghazi (S)	1911**
41. Giresun	1906	Arabia	
42. Adapazarı	1907	87. Hodeida	1913
43. Tarsus	1908	88. Jidda	1913
44. Balıkesir	1910	Egypt	
45. Kayseri	1910	89. Alexandria	1867
46. İnebolu	1910	90. Port Said	1872
47. Ordu	1910	91. Cairo	1881
48. Geyve (O)	1910**		

S = subagency; O = office.

*Closed in 1908; **closed in 1913–14; ***closure under discussion in 1914.

Source: This list and the dates are based on the full range of archival sources used to write the article.

many years of neglecting the provinces and the provision of credit to exporters, the BIO had finally created the means for serving both, and on a larger scale. Unfortunately, it had done so just too late.

NOTES

¹A. du Velay, *Essai sur l'histoire financière de la Turquie* (Paris, 1903), 175–204. The eight were the Banque Impériale Ottomane, Société Générale de l'Empire Ottomane, Crédit Général Ottoman, Banque de Constantinople, Banque Austro-Ottomane, Crédit Austro-Turque, Société Ottomane de Change et des Valeurs, and the Crédit Lyonnais.

²J. Lewis Farley, *Banking in Turkey* (London, 1863).

³*Annuaire orientale de commerce*, published yearly from 1880 (Istanbul, 1913). See also Figure 1 and Table 2.

⁴The research upon which this article is based is part of a larger project on the history of the BIO, based upon its surviving archives, access to which has been by the kind permission of Compagnie Financière Ottomane S. A. (formerly the Ottoman Bank). The BIO's Paris archives are now mostly in the Archives Nationales in Paris (AN, 207/AQ), its London archives in the Guildhall Library (MSS. 23,961–24,041), and its Istanbul archives in the custody of the Osmanlı Bankası at the Bulgur Palas (BPA).

⁵Throughout this article U.K. £ represents pounds sterling, T ₺ Turkish pounds. The value of the latter was stable over the period: it was worth approximately U.K. £0.9.

⁶Existing accounts of the BIO are by A. Biliotti, *La Banque Impériale Ottomane* (Paris, 1909); A. du Velay, *Histoire financière*, 175–96; A. S. J. Baster, *The International Banks* (1935, repr. New York, 1977), 78–112; J. Thobie, *Intérêts et impérialisme français dans l'empire Ottoman 1895–1914* (Paris, 1977), 81–89, 449–59, and passim; A. Autheman, *History of the Ottoman Bank* (Istanbul [?], 1988); and C. G. A. Clay, “The Imperial Ottoman Bank in the Later Nineteenth Century: A Multinational ‘National’ Bank?” in *Banks as Multinationals*, ed. G. Jones (London, 1990), 142–59.

⁷The terms “branches” and “agencies” are used interchangeably throughout this article.

⁸AN, 207 AQ/167, annual reports for 1863–71.

⁹AN, 207 AQ/1, “acte de concession” and “règlement” of 18 May 1874 and 17 February 1875.

¹⁰AN, 207 AQ/167, annual reports for 1875 and 1876.

¹¹See pp. 596–98.

¹²V. Eldem, *Osmanlı İmparatorluğunun İktisadi Sartları Hakkında Bir Tetkik* (Istanbul, 1970); Roger Owen, *The Middle East in the World Economy, 1800–1914* (London, 1982), chap. 8; D. Quataert, “The Commercialization of Agriculture in Ottoman Turkey, 1800–1914,” *International Journal of Turkish Studies* 1 (1980): 38–55; idem., “Agricultural Trends and Government Policy in Ottoman Anatolia, 1800–1914,” *Asian and African Studies* 15 (March 1981): 69–84; and idem., *Ottoman Manufacturing in the Age of the Industrial Revolution* (Cambridge, Eng., 1993); S. Pamuk, *The Ottoman Empire and European Capitalism, 1820–1913* (Cambridge, Eng., 1987); O. Okyar, “A New Look at the Problem of Economic Growth in the Ottoman Empire, 1800–1914,” *Journal of European Economic History* 16 (Spring 1987): 1–49.

¹³Okyar, “A New Look,” 46; Quataert, *Ottoman Manufacturing*, 2.

¹⁴Pamuk, *Ottoman Empire and European Capitalism*, 149, Table A1.1.

¹⁵The bank's internal annual reports provide a brief summary of economic conditions year by year: AN, 207 AQ/170–8; see also D. Quataert, “The Economic Climate of the Young Turk Revolution in 1908,” *Journal of Modern History*, on-demand publication D. 1147 (September 1979).

¹⁶There seems to be little literature available on the financing of Ottoman trade in the late 19th and early 20th centuries, but for a slightly earlier period, see R. Kasaba, *The Ottoman Empire and the World Economy in the Nineteenth Century* (Albany, N.Y., 1988), 75 et seq., and chap. 4.

¹⁷AN, 207 AQ/118, 119, *direction générale* to Paris Committee, 4 November 1903 and 16 August 1905 (encl. reports on Eskişehir), 17 July 1905 (encl. report on Kütahya), and 15 April 1908 (encl. report on Kayseri).

¹⁸BPA, *Procès verbaux du comité de direction* (PVCD), 15 July 1898, 7 August 1902, 24 June 1903, and 17 July 1905. AN, 207 AQ/119, *direction générale* to Paris Committee, 3 July 1905 (encl. report on Erzurum), 17 July 1905 (see n. 17), and 2 August 1909 (encl. report on Tekirdağ).

¹⁹*Annuaire orientale de commerce*, esp. 1889/90, 1896, 1908, and 1912. This publication provides an overview of the modern banking facilities available in the Levant throughout the period; see also Thobie, *Intérêts et impérialisme* 459–68; G. Diouritch, *L'Expansion des banques allemandes à l'étranger* (Paris and Berlin, 1909), 701–34.

²⁰See pp. 602–3.

²¹AN, 207 AQ/118, *direction générale* to Paris Committee, 22 April 1904 (and encl.), 30 June 1904, and 31 March 1905 (and encl.).

²²AN, 207 AQ/119, *direction générale* to Paris Committee, 11 March 1905; BPA, PVCD 8 March and 17 July 1905; *Comptes rendus hebdomadaires des séances du comité de direction* (CRH), 12–18 July 1907 (report on Mosul); *lettres à Londres*, 17 April 1904; *lettres reçues* (Paris), 19 May 1906.

²³AN, 207 AQ/167, annual reports for 1864–72.

²⁴The BIO also employed a few Jews but never, it seems, Muslims, except as interpreters or in subordinate capacities.

²⁵AN, 207 AQ/1, “État du personnel supérieur de la Banque Impériale Ottomane,” undated but ca. 1875.

²⁶Volumes marked “Registre du personnel. Agences. A,” and “État du personnel,” for 1902 and 1914. These were formerly part of the BIO archives in the Bulgur Palas but were apparently destroyed in 1986: notes in author’s possession.

²⁷For an instance where provision of staff was seen as a constraint, see BPA, *lettres à Londres*, 17 July 1905.

²⁸The Imperial Bank of Persia, for instance, did not employ local staff in responsible positions at this time; G. Jones, *Banking and Empire in Iran* (Cambridge, Eng., 1986), 34, 139, 143.

²⁹See p. 607.

³⁰The establishments of the BIO in 1889 were (besides head office): in Egypt, Alexandria, Cairo, and Port Said; in Cyprus, Larnaca, Limassol, and Nicosia; in Bulgaria, Philippopoli (Plovdiv); in the empire proper, Stambul, Salonica, Edirne, Izmir, Aydin (s), Manisa (s), Antalya, Bursa, Nazilli (s), Konya, Adana, Beirut, and Damascus (those marked ‘s’ were subagencies; they were dependent on full branches and did not perform the complete range of banking functions).

³¹AN, 207 AQ/169, 170, annual reports for 1885–88 and 1890.

³²On Sir Edgar Vincent, see Clay, “The Imperial Ottoman Bank.”

³³AN, 207 AQ/187, Vincent to Mallet, 3 December 1889 and encl.

³⁴BPA, *Banque Impériale Ottomane. Gouvernement Impérial Ottoman. Contrats d'emprunts et d'avances* (1^e recueil, n.d.), 9–12.

³⁵AN, 207 AQ/113, La Fuente to Paris Committee, 31 July 1891.

³⁶AN, 207 AQ/170, annual report for 1892.

³⁷AN, 207 AQ/5, “Étude sur le rôle de Banque d'État . . .,” part 2, sec. 3, n.

³⁸AN, 207 AQ/170, annual report for 1892.

³⁹AN, 207 AQ/5, “Étude sur le rôle de Banque d'État . . .,” part 2, sec. 7.

⁴⁰AN, 207 AQ/171–2, annual reports for 1892–94, and for first semester of 1895.

⁴¹*The Levant Herald*, 4 November 1895.

⁴²AN, 207 AQ/172, annual report for 1895.

⁴³BPA, CRH, 21–26 August and 4–10 December 1897; AN, 207 AQ/115, *direction générale* to Paris Committee, 6 January and 16 February 1898; Compagnie Financière Ottomane (Paris), *procès verbaux du comité de Paris*, 11 February 1898.

⁴⁴AN, 207 AQ/115, *direction générale* to Paris Committee, 1 March 1898 (encl. summary of new commercial code); 207 AQ/173, annual report for 1898; BPA, *lettres à Londres*, 9 February 1899.

⁴⁵AN, 207 AQ/172 et seq., annual reports; Pamuk, *Ottoman Empire and European Capitalism*, 34–36.

⁴⁶BPA, CRH, 20–26 November 1897.

⁴⁷M. R. Milgrim, “An Overlooked Problem in Turkish–Russian Relations: The 1878 War Indemnity,” *International Journal of Middle East Studies* 9 (1978): 519–37.

⁴⁸AN, 207 AQ/116, *direction générale* to Paris Committee, 9 March and 29 April 1899; 207 AQ/173, annual report for 1899, and for first semester of 1900; BPA, PVCD, 26 April 1899.

⁴⁹AN, 207 AQ/175, annual report for 1903; BPA, *lettres à Paris*, 27 February 1903; *lettres reçues* (Paris), 14 March 1903; PVCD, 1 April 1903.

⁵⁰BPA, PVCD, 15 July 1898, 12 and 20 April 1900, 5 July 1900, 5 February 1901, and 7 August 1902; *lettres aux agences*, 18 July 1901.

⁵¹BPA, PVCD, 28 July and 7 Aug. 1899.

⁵²*Ibid.*, 21 February, 7 April, 9 August, and 13 October 1899; AN, 207 AQ/174, annual report for 1900.

⁵³BPA, *lettres à Paris*, 2 June 1900; *lettres reçues* (London), 13 June 1900; PVCD, 16 July 1900; AN, 207 AQ/116, *direction générale* to Paris Committee, 2 June 1900.

⁵⁴Pamuk, *Ottoman Empire and European Capitalism*, Table A1.1.

⁵⁵BPA, *lettres aux agences*, 18 July 1901.

⁵⁶AN, 207 AQ/175, annual report for 1902.

⁵⁷See, for instance, the response of the *direction générale* to proposals for new establishments at Mudanya, Akşehir, Giresun, Kavalla, Malatya, Dedağaç, Vathy, Basra, and Eskişehir: BPA, PVCD, 29 May, 15 and 24 June, 15 October, and 27 November 1903; *lettres à Londres*, 2 December 1903, 25 January, and 5 March 1904; AN, 207 AQ/117, *direction générale* to Paris Committee, 4 November 1903 and report enclosed.

⁵⁸BPA, *lettres à Londres*, 30 June 1904.

⁵⁹AN, 207 AQ/175, annual report for 1903.

⁶⁰BPA, CRH, 1896–1911; this series contains a complete series of yearly and half-yearly agency profits until World War I.

⁶¹BPA, PVCD, 29 October 1903 and 16 October 1905.

⁶²AN, 207 AQ/117, 118, *direction générale* to Paris Committee, 2 December 1903, 4 March and 22 April 1904 (and encl.), and report on Tripoli dated 25 April 1904; BPA, PVCD, 27 February 1901, 15 October and 3 November 1903, 20 and 25 June 1904.

⁶³AN, 207 AQ/118, *direction générale* to Paris Committee, 17 March and 4 April 1904 (and encls. to both); BPA, PVCD, 7 August 1902, 24 June 1903, 4 March, 20 June, 14 September and 5 October 1904, 23 February, 8 and 10 March, and 17 July 1905, 11 September 1906; CRH, 12–18 January 1907 (report on Mosul); and *lettres à Londres*, 17 April 1906.

⁶⁴AN, 207 AQ/118, 119, *direction générale* to Paris Committee, 30 June 1904 and 21 December 1905 (and encl.).

⁶⁵AN, 207 AQ/176, annual report for 1905.

⁶⁶AN, 207 AQ/119, 120, *direction générale* to Paris Committee, 3 July 1905 (and encl.), 17 July 1905 and 12 January 1906.

⁶⁷AN, 207 AQ/177, report for 1907.

⁶⁸BPA, PVCD, 25 February and 31 March 1908.

⁶⁹AN, 207 AQ/121, *direction générale* to Paris Committee, 12 February 1908 (*recte* 1909).

⁷⁰*Ibid.* (encl. report on Gömülcine); *ibid.*, 2 August 1909 (and encls.) and 22 January 1910. BPA, PVCD, 31 July 1909.

⁷¹AN, 207 AQ/122, *direction générale* to Paris Committee, 22 January 1910 (and encl.).

⁷²See n. 60.

⁷³AN, 207 AQ/122, *direction générale* to Paris Committee, 22 January 1910 (and encl.).

⁷⁴For two examples, out of many, see official requests that the bank should open in Niğde, Isparta, Burdur, and Nevşehir (1910); and in Bolu, Gerede, Bartın, Zonguldak, Tokat, and Amasya (1911): BPA, PVCD, 21 February 1910, 19 June 1911, and 27 May 1913.

⁷⁵AN, 207 AQ/121, *direction générale* to Paris Committee, 30 May 1908 (encl. report on Benghazi); BPA, PVCD, 31 July 1909; *lettres à Londres*, 13 February 1909.

⁷⁶BPA, PVCD, 12 April 1910 and 6 October 1913.

⁷⁷*Ibid.*, 18 and 23 January 1911; *lettres à divers*, 14 February 1911; *Banque Impériale Ottomane: Gouvernement Impérial Ottoman. Contrats d'emprunts et d'avances* (3^e recueil, n.d.), convention of 1–14 February 1911.

⁷⁸BPA, PVCD, 23 October 1905, 16 and 20 August, and 3 December 1906, 25 March 1907, 24 November 1909; *lettres à Londres*, 15 April 1908.

⁷⁹AN, 207 AQ/123, *direction générale* to Paris Committee, 29 March 1912; BPA, PVCD, 20 February and 19 March 1912, 1 and 25 October 1913; *lettres reçues* (Paris), 12 April and 15 June 1912.

⁸⁰BPA, PVCD, 29 March, 5 and 27 July 1911, 1 May, 5 June, 3 September, and 24 December 1912, 23 April and 29 May 1913.

⁸¹BPA, CRH, 20–25 May 1912; *lettres à Paris et Londres*, 28 February and 11 July 1912.

⁸²CRH, 15 September and 16 December 1913, 26 January 1914.

⁸³CRH, 23 February 1914; *lettres reçues* (Paris), 20 March 1914.

⁸⁴BPA, PVCD, 26 January, 25 February, 3 March, 22 May, 24 June and 13 July 1914.

⁸⁵*Ibid.*, 26 August 1914.

⁸⁶AN, 207/177, 178, annual reports for 1907 and 1908; BPA, annual reports for 1909 and 1910 (destroyed in 1986?); Compagnie Financière Ottomane, Paris, cave 19, box 87, dossier relating to head office 1910–12, letter to Barry, 23 April 1912 and encl.

⁸⁷*Annuaire orientale de commerce*, 1889/90, 1908, 1912, and 1913. Statistics compiled from this source are undoubtedly flawed and incomplete, but are nevertheless suggestive. In 1889/90, 302 “bankers” and “money changers” are listed in 49 different towns, whereas by 1913 around 760 in 121 different places are named.

⁸⁸AN, 207 AQ/120, *direction générale* to Paris Committee, 27 August 1907; BPA, *lettres à Paris et Londres*, 7 May 1914 and “note” enclosed.

⁸⁹Pamuk, *Ottoman Empire and European Capitalism*, Table A1.1.