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THE MONTREAL TRADE REVIEW.

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BANKING REVIEW FOR 1870.

The relation which exists between the general commerce of a country and its banking institutions bears a close analogy to that of the affairs of a private individual to his bankers's account. Any estimate of the trading operations of a given period, which excludes a careful and full summary of the position of the banks, is much as though, in a trader's balance-sheet, he omitted that all-important item, the balance owing to or in the hands of his banker, and the amount he may have under discount. It is a source of high satisfaction that, in presenting this review of the banking history of the year, and comparing it with preceding ones, there is no feature which is not eminently hopeful, as indicating that the trader and agriculturist have not only done a heavy business in the past year, but, on the whole, have secured considerable profits and made provision for contingencies. A very general advance has been made in the past year in the price of securities, practically lowering the rate of interest to investors to much the same standard as in the English market. Considerable sums have, in consequence, found their way to the States for government bonds and stocks offering a higher average rate than home investments. If any doubt existed as to the extent to which capital is being made here, it could be dispelled by examining a file of country papers, in which are lists of advertisements offering large sums to borrowers from six per cent. upwards. While serious difficulty has been felt in financial circles in the States, loans ruling at extraordinary rates, paper ordinarily negotiable been rendered valueless, failures numerous, not only in weak firms, but in a class of firms whose credit has stood much above the average rank, we have had no such experience, being happily free from the influence of either government tamperings with the money market, or of those cliques of capitalists to whose operations is attributed the excessive stringency which has brought on a crisis in the States this winter.

The following statement shows the paid-up capital and undivided profits of the banks of the Provinces of Ontario and Quebec on 31st December, 1870:—

Banks.	Capital.	Surplus.	P. cent. of surp. to cap'l.
Montreal	$6,000,000	$3,344,975	55¾
Quebec	1,500,000	172,746	11½
City	1,200,000	79,587	6½
Du Peuple	1,600,000	155,247	9¾
Niagara District	308,572	52,473	17
Molsons'	1,000,000	110,538	11
Toronto	985,400	578,904	59
Ontario	2,000,000	259,635	25¼
Eastern Townships	400,000	92 911	23
Nationale	1,000,000	118,163	11¾
Jacques Cartier	1,000,000	138,501	13¾
Merchants'	5,308,426	1,091,718	20½
Union	1,222,675	178,996	15
Mechanics'	322,287	20,845	6¼
Commerce	2,513,986	551,778	21

It must be borne in mind, when considering the above, that the whole amount here represented as surplus cannot be taken to represent the reserve fund of the different banks. Included in the amount are the current earnings of each half year, and available for the next dividend, and also any unpaid dividends not claimed by stockholders. There are also, in some of the banks, contingent funds, which are reserved against probable losses, the amount of which cannot be accurately ascertained; and, in some instances, what is known as the reserve fund itself is so held, while in other banks, and more properly, nothing is placed to that fund until all losses have been provided for.

Bearing these things in mind, the above statement enables a rough approximation to be formed as to the amount of surplus in the hands of each of the banks after all liabilities are discharged; and the public, we are sure, will read the calculation with interest. The value of any stock depends largely on its dividend from time to time, but as affecting and determining the steadiness and certainty of the dividend, the amount of the reserved profits is an element of the first importance.

The completion of the returns for last year enables us to present a tabulated series of averages, which we append, and to which we ask special attention, as presenting at one view a picture of the enormous development which has taken place in the last septennial period in the commerce of the two Provinces. The whole of the items are not given in detail, but simply those which indicate the activity and growth of trade under the head of circulation and deposits, and those items which show the expansion of commercial requirements, and the increase of available assets held by the banks—that is, specie, legal tenders, and balances due from other banks, and notes discounted. The increase in available assets shows that the banks are careful to maintain the rules of prudence in this period of expansion, while the increase of notes discounted shows conclusively a large augmentation in the actual volume of business:—

BANK AVERAGES, FROM MONTHLY OFFICIAL RETURNS 1863 TO 1870.

AVERAGE LIABILITIES:	1863.	1864.	1865.	1866.	1867.	1868.	1869.	1870.	Increase 1863 to 1870.
Paid up capital	25,824,909	25,934,225	26,849,774	27,384,654	27,709,847	27,223,262	28,217,264	29,777,732	3,942,723
Circulation	9,783,343	9,576,124	8,925,137	11,253,929	9,078,000	8,525,152	8,800,235	14,401,271	11,200,000
do. legal tenders	......	......	......	......	3,487,000	4,203,000	4,769,000	6,600,000	......
Deposits	21,209,697	23,687,017	26,051,133	27,659,354	28,953,392	31,608,877	38,002,232	46,738,081	25,528,384
Average of total Liabilities	32,178,210	34,814,687	37,657,691	40,036,566	40,378,360	42,164,040	48,058,166	62,801,683	30,623,473
AVERAGE ASSETS:									
Specie	6,217,982	5,044,951	6,500,970	6,481,045	7,838,168	8,956,726	11,645,709	14,392,485	8,174,503
Due from other Banks	1,924,078	2,065,099	3,347,493	6,123,914	4,055,880	4,444,029	6,302,089	9,586,661	7,662,583
Notes discounted	43,306,113	45,746,725	44,152,063	44,391,999	49,636,046	48,809,679	53,348,937	63,399,015	20,092,902
Average of total Assets	62,587,099	65,691,487	68,635,500	71,293,113	73,586,787	75,168,935	81,954,640	98,639,684	36,052,585

NOTE.—The Act authorizing the issue of Provincial Notes came into force the fall of 1867, since which time the Bank of Montreal has issued no notes of its own. The bank circulation has therefore been diminished since 1867, by the amount formerly issued by the Bank of Montreal, which averaged about $3,000,000. The large increase in circulation in spite of this, is a very significant fact.