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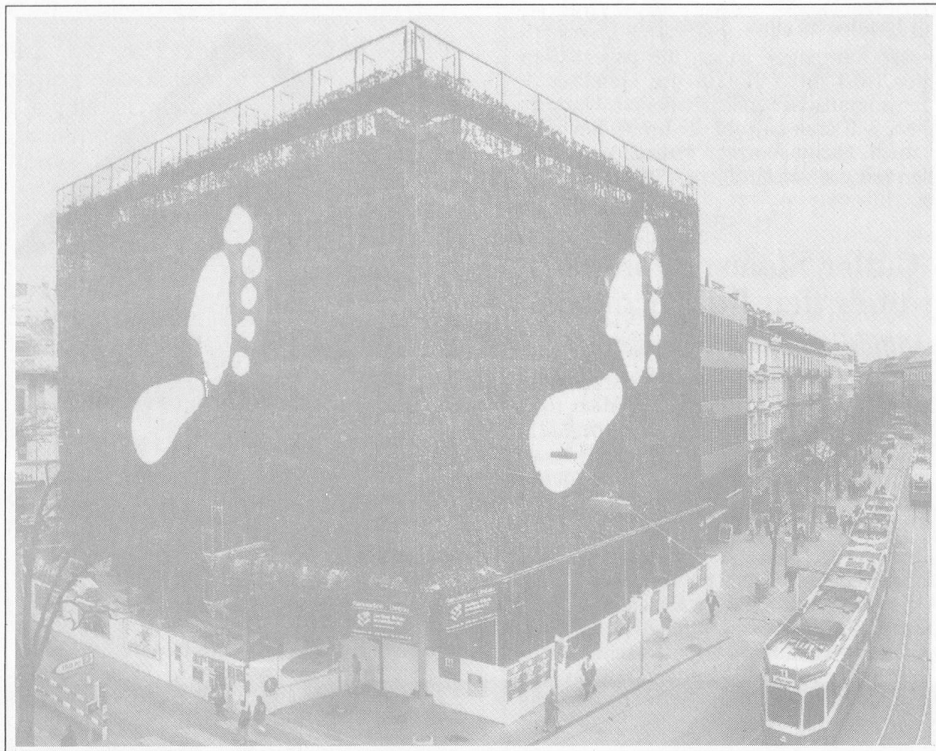
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FEWER BANKS, MORE PROFITS

Small, regional banks have been a pillar of the Swiss banking system since the 19th century. In villages and towns across the country, they are at the grass-

roots, serving the financial needs of the local shopkeeper, factory owner or lawyer. Among indigenous banks, they are the third force beside the big, international institutes and the generally medium-size cantonal banks.

Nevertheless, the 1990's are a time of deep structural changes for the well over one hundred companies which are classed as regional banks. While closures are rare in the well-ordered Swiss market, over 50 regional banks were taken over or have merged in the past three years.

The restructuring process has been pushed by a number of factors. These range from a profit slump at some institutions to the need at others for a strong partner to support expansion in today's tough financial markets. Since regional banks are particularly active in financing mortgages, many of them fell foul of Switzerland's recent and prolonged recession.

The most dramatic event was the closure of the Spar- and Leihkasse Thun in 1992. Photos of distressed customers, worried about their savings and lining up at the bank's door were flashed around the world, leading international newspapers to publish articles on the plight of the little Swiss bank. The world was totally surprised that any bank could fail in solid Switzerland. Switzerland's leading banks decided to avoid such publicity in the future. Since then other troubled regional banks have been quietly taken over by bigger banks who have seen to it that savings are not endangered.

The Swiss economy started to grow again in 1994. Weaker regional banks

continue to bear the scars of recession however. More of them are likely to lose their independence as the sector continues to restructure for a healthier future.

But far from all regional banks, which recently gave up their independence, were in deep trouble. Some chose to merge, or be taken over, because they saw more opportunities tied to a bigger bank.

The most telling example of this was CS Holding's acquisition of the Neue Aargauer Bank (NAB) in 1994. The largest of the regional banks, with assets of over 9 billion SFR, NAB concluded that its future lay with a large financial group. Without a strong partner, its management said expansion would be hindered by today's high infrastructure costs, tough competition, increased complexity of the banking business and growing internationalization of financial markets. Within the CS Holding group are Credit Suisse, one of Switzerland's "Big Three" banks, the Leu banking group of Switzerland and CS First Boston, a top US investment bank. Under NAB's agreement with CS Holding, the bank will retain its own name and identity.

Apart from the NAB, Credit Suisse has been increasing its share of the home market with a vengeance through the 1990's. The CS Holding group acquired Swiss Volksbank and Bank Leu, the country's fifth and sixth largest banks. Other regional bank acquisitions have included the EKO Bank in Olten and Gewerbebank in Baden.

Swiss Bank Corporation (SBC) for its part acquired the Canton of Ticino's largest bank, Banca della Svizzera Italiana. It also booked a coup in acquiring the Solothurn Cantonal Bank, the first cantonal bank ever to be privatised. In addition, SBC has snapped up a number of regional banks including Bank Langenthal and the Hypobank Winterthur.

Union Bank of Switzerland's acquisitions have attracted less attention. Nevertheless, Switzerland's largest bank has taken over a number of re-

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gional banks including the Solothurner Handelsbank, Ersparniskasse des Amtsbezirkes Wangen, Regiobank beider Basel and EKN Bank in Nidwalden. These have combined assets in excess of 6 billion SFR.

But despite a painful consolidation in the Swiss bank sector, regional banks are likely to be with us for some time yet.

TRAFFIC JAM

Those of you who commute regularly in Auckland, Wellington or Christchurch and pester against small traffic jams that might hold you up for a few minutes, spare a thought for the poor Swiss drivers who recently found themselves caught up in the biggest traffic jam Switzerland has ever seen, full 53 Km of it.

It happened on a wintry, snowy February day when thousands of motorists returned from their skiing holidays. On the slippery, snow covered motorway between Bern and Niederbipp (SO), a series of minor collisions occurred which soon resulted in a colossal 53 km traffic jam. For hours the motorway No.1, the main artery through Switzerland, looked more like a giant car-park with thousands of cars packed bumper to bumper on all three lanes.

Contrary to summer traffic jams, where motorists can open their car windows, get some fresh air, have a chat with the people in the neighbouring cars and even play a quick game of cards on the bonnet of their cars, the winter traffic jam leaves the motorists

in a quandary: either you stop your engine at the risk of freezing to death in your car, or you keep the motor and heater running and risk to be left stranded with an empty petrol tank in the middle of nowhere.... Next time you travel around in Switzerland, better take the train.

MOTORBIKES OUT OF FASHION

Once a status symbol, the most popular mode of transport for teenagers, the motorbikes, mopeds and scooters are no longer in fashion. The young generation of today have given them up as old hat. In Switzerland, the sale of motorbikes has fallen by almost 50% over the past 14 years. "Töfflibuben", who used to spend every cent on their beloved mode of transport, are now considered as living in the stone age.

The motorbike and scooter has reverted back to its original role as a means of transport for the less affluent commuters.

But with the disappearance of the motorbike, a new curse has emerged: the mountain bike. Where teenagers used to perform their antics on motorbikes, they do them now on mountain bikes and, instead of running wild all over the public roads, they now terrorise the peaceful trampers by racing their bikes over every conceivable mountain path with total disregard to other users. Fancy that the quiet Sunday afternoon stroll has now become as dangerous as riding a motorbike in the middle of a busy motorway traffic.

WHEN ARE OLD PEOPLE REALLY OLD?

Like people in most developed countries, the Swiss live longer and with the increased ageing of the population, the question as to what is "old age" becomes more and more important.

Traditionally, "old age" started with the retirement from active work at the age of 65. But today people aged 65 are often much healthier than in the past and many do not consider themselves as part of the "old age" group.

So some crafty University professors have come up with a new criterion to define the beginning of "old age". They claim that old age starts the day a person's life expectancy falls below 10 years. Under this new criterion, old age would start at 70 for men and 74 for women.

This new notion would radically change the percentage of old people compared to the whole population: from 20% it would drop to only 7%. No doubt Governments, eager to reduce the burden of their superannuation scheme, will embrace this new concept with great pleasure. Small snag though: how can a person decide when his or her life expectancy has dropped below 10 years? The manufacturers of crystal balls must be experiencing a roaring trade.

OLD CITY

Schaffhausen is celebrating this year its 950th anniversary. On the 10th of July in 1045, King Henry III gave his vassal, Graf Eberhard von Nellenburg, the right to mint his own currency "in the place called Schaffhausen". According to historians, this would be regarded as the beginning of the existence of Schaffhausen as a city. Although various commemorative activities will happen throughout the year, the main celebrations will of course take place on July 10.

NEW LÖTSCHBERG TUNNEL

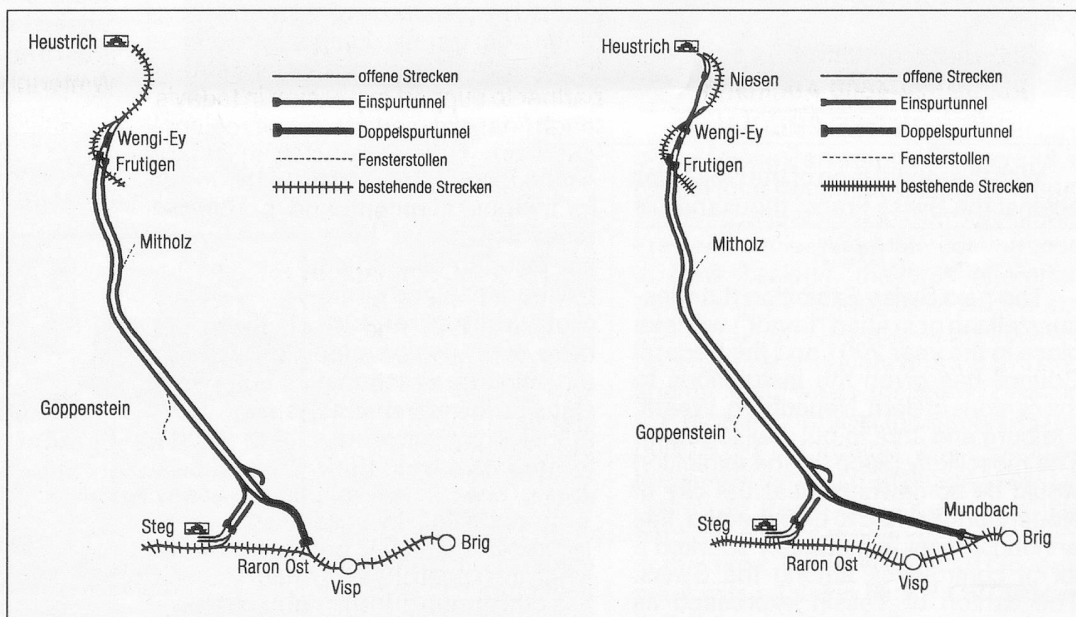
If this new project takes place, Kandersteg will no longer see any trains passing through its very picturesque village and the scenic train ride up from Frutigen to Kandersteg will no longer exist. Instead the trains will enter a new 33 km long tunnel near Frutigen, by-pass Goppenstein (the south end of the present tunnel) and emerge again somewhere near Raron in the Wallis.

Like Kandersteg, Goppenstein will also lose its important function in the transport of cars through the present tunnel.

Panoramic windows will be provided at Mitholz, Goppenstein and Raron so that passengers can get a quick glimpse of the scenery during this 33 km crossing of the Alps.

A novelty approach is the bifurcation planned inside the tunnel to provide a direct link to Sierre and Sion.

Incidentally, Mitholz was the place where during World War II an underground ammunition depot exploded, bringing down the whole side of the mountain that totally blocked the entrance to the depot. For years fear existed that further explosions could take place as it was impossible to assess whether all ammunition had detonated or whether some live ammunition was still buried in the rubble and was likely to go off at any time



The new tunnel would exit by Raron and join the existing railway line at Visp.

The tunnel would already start at Heustrich and pass underneath the Niesen and in the south it would open up just before Brig.